HANCOCK
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

HANCOCK CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Hancock Central School District:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not 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.

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 fiduciary fund information of the Hancock Central School District, as of June 30, 2018, 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 and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M10 and 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 an opinion on the financial statements that collectively comprise the Hancock Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018 on our consideration of the Hancock Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock Central School District's internal control over financial reporting and compliance.

Raymond F. Keusser CPA

Claverack, New York
October 1, 2018

HANCOCK CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2018

INTRODUCTION

The Hancock Central School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position decreased from ($2,965,585) to ($3,627,386).
- As of the close of this fiscal year, the District's governmental funds reported combined fund balances of $5,055,837, an increase of $383,405 in comparison with the prior year.
- The District appropriated $182,114 of the fund balance for subsequent year's expenditures.
- The District continues to offer all programs, without reducing services, while maintaining an adequate fund balance including reserves.
- During the fiscal year ended June 30, 2018, the District completed the $6,600,000 Districtwide renovation project.
- Voters approved a Capital Reserve in the amount of $400,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Districtwide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to these statements, this report also includes required supplemental information and other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Districtwide Financial Statements	↔	**Fund Financial Statements**

Notes to the Basic Financial Statements

Required Supplemental Information (Part B)

General Fund Budget to Actual Schedule

Changes of the Total OPEB Liability

District's Proportionate Share of the Net Pension Asset/Liability

District Contributions

Supplemental Information

General Fund Budget & Fund Balance Information

Capital Project Funds Schedule of Project Expenditures

Schedule of Net Investment in Capital Assets

DISTRICTWIDE FINANCIAL STATEMENTS

The district wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the districtwide financial statements as *governmental activities*, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

DISTRICTWIDE FINANCIAL ANALYSIS

Hancock Central School District's Net Position
June 30, 2018 and 2017

	Governmental Activities		
	2018	Restated 2017	Variance Increase (Decrease)
Current Assets	$ 5,581,661	$ 5,370,797	$ 210,864
Capital Assets	15,741,834	15,994,757	(252,923)
Net Pension Asset	137,761	-	137,761
Total Assets	21,461,256	21,365,554	95,702
Deferred Outflows of Resources	2,790,151	2,745,741	44,410
Total Assets and Outflows of Resources	24,251,407	24,111,295	140,112
Current Liabilities	1,107,385	703,740	403,645
Noncurrent Liabilities	25,812,366	25,633,105	179,261
Net Pension Liability	128,383	569,388	(441,005)
Total Liabilities	27,048,134	26,906,233	141,901
Deferred Inflows of Resources	830,659	170,647	660,012
Total Liabilities and Inflows of Resources	27,878,793	27,076,880	801,913
Net Position:			
Investment in capital assets, net of related debt	8,166,834	8,029,757	137,077
Restricted	4,337,976	3,408,251	929,725
Unrestricted (deficit)	(16,132,196)	(14,403,593)	(1,728,603)
Total Net Position	$ (3,627,386)	$ (2,965,585)	$ (661,801)

Hancock Central School District's
Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	Governmental Activities		
	2018	2017	Variance Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	$ 585,767	$ 191,772	$ 393,995
Operating Grants and Contributions	398,705	401,682	(2,977)
Total Program Revenues	$ 984,472	$ 593,454	$ 391,018
General Revenues:			
Real Property Taxes	$ 3,568,868	$ 3,520,478	$ 48,390
Other Tax Items	518,117	536,190	(18,073)
Use of Money and Property	5,342	2,826	2,516
Sale of Property and Compensation for Loss	3,668	754	2,914
Miscellaneous	158,032	215,773	(57,741)
State Sources	6,537,311	5,807,351	729,960
Federal Sources	2,865	660	2,205
Premium on obligations	-	783,684	(783,684)
Total General Revenues	10,794,203	10,867,716	(73,513)
Expenses: (Net of program revenues)			
Instruction	7,016,628	6,644,951	371,677
Support Services:			
General Support	2,341,551	2,645,274	(303,723)
Pupil Transportation	703,358	630,454	72,904
Community Service	4,449	4,414	35
Debt Service-Interest	364,183	203,432	160,751
Depreciation-Unallocated	897,304	838,994	58,310
Fiscal Agent Fees	-	125,518	(125,518)
School Lunch	128,531	142,725	(14,194)
Total Expenses	11,456,004	11,235,762	220,242
Change in Net Position	$ (661,801)	$ (368,046)	$ (293,755)

The following charts provide the percentage of breakdown of all revenues by source and all expenses by function for the entire District:

Districtwide Revenues by Source
For the Year Ended June 30, 2018

Districtwide Expenses by Function
For the Year Ended June 30, 2018

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- ***Governmental funds:*** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- ***Fiduciary funds:*** The District is the trustee, or *fiduciary,* for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the districtwide financial statements because it cannot use these assets to finance its operations.

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of $5.1 million, which is an increase from last year's total of $4.7 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2018 and 2017.

	Fund Balance 2018	Fund Balance 2017	Increase (Decrease)
General	$ 4,985,399	$ 4,143,532	$ 841,867
School Lunch	(760)	27,768	(28,528)
Special Aid	-	820	(820)
Debt Service	43,166	43,166	-
Capital	28,032	457,146	(429,114)
Totals	$ 5,055,837	$ 4,672,432	$ 383,405

General Fund

The tables that follow assist in illustrating the financial activities and balance of the general fund.

Revenues:	**2018**	**2017**	**Variance Increase (Decrease)**
Taxes and Other Tax Items	$ 4,086,985	$ 4,056,668	$ 30,317
Use of Money and Property	5,339	2,814	2,525
Charges for Services	519,327	145,834	373,493
State/Federal Sources	6,540,176	5,808,011	732,165
Other	161,700	216,527	(54,827)
Totals	$ 11,313,527	$ 10,229,854	$ 1,083,673

Expenses:	**2018**	**2017**	**Variance Increase (Decrease)**
General Support	$ 1,876,424	$ 1,950,617	$ (74,193)
Instruction	4,391,073	4,354,630	36,443
Pupil Transportation	633,923	510,065	123,858
Community Service	4,449	4,414	35
Employee Benefits	2,713,043	2,655,663	57,380
Debt Service	747,997	522,438	225,559
Operating transfers out	104,751	103,820	931
Total Expenses	$ 10,471,660	$ 10,101,647	$ 370,013

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the general fund's original budget and the final amended budget was $295,966. This amount represents the carryover encumbrances from the 2016/17 school year in the amount of $36,246, donations of $29,896, tax certiorari payments of $15,394, equipment purchase of $7,500 and the purchase of vehicles in the amount of $206,930.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2018 are as follows:

Asset Description	Amount
Land	$ 107,750
Construction in Progress	6,258,793
Buildings and Improvements	8,478,339
Machinery and Equipment	896,952
Total	$ 15,741,834

The total decrease in the District's capital assets (net of accumulated depreciation) for the current fiscal year was $252,923. The decrease to capital assets was attributable to the depreciation of $867,376 was more than the capital expenditures of $644,381.

LONG-TERM DEBT

Long-term debt is comprised of serial bonds, compensated absences, net pension liability-proportionate share and other postemployment benefits. The District had total serial bond debt at June 30, 2018 of $7,575,000, a decrease over the previous year of $390,000. The debt outstanding for the year ended June 30, 2018 is summarized as follows:

Debt Description	**Outstanding Balance**
Serial Bonds	$ 7,575,000
Compensated Absences	672,992
Net Pension Liability-Proportionate Share	266,144
Other Postemployment Benefit Obligations	18,134,374
Total	$ 26,648,510

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the total full value of real property. At June 30, 2018 the District's general obligation debt was significantly lower than its total debt limit. The District has a bond rating of A+.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- One challenge facing the District is the ongoing dependence on State funding. Changes in the State's economy or other changes at the State level, that impact the manner in which state aid is paid have had an impact on the finances of the District.

- Besides the impact of State Aid funding for the School District, the new Property Tax Cap Law has a significant impact on the revenues of the District. In June of 2011, the New York State Legislature passed a Property Tax Cap Law, which began with the 2012-13 school year budget. The legislation provides a calculation for a tax levy limit, which caps the amount of revenues the District can raise through the levy of taxes. In the circumstance of a defeat of an original budget with a tax levy increase calculated in accordance with the legislation and a resubmitted/revised budget defeat, the Board of Education is mandated by this legislation to adopt a budget that levies a tax no greater than that of the prior year; a zero percent tax levy increase. This would prove to be a serious strain on the ability of the District to meet its obligations and has the potential to diminish the District's fund balance.

- Additionally, the cost of employee benefits continues to be a major budgetary factor for all school districts. The continued growth in the cost of health insurance combined with the costs of funding the Teachers' Retirement System and Employees' Retirement System are projected to have a significant budgetary impact in the near to immediate future. The District proactively created the Employee's Retirement Contribution Reserve to mitigate potential rate spikes in the future. This reserve was established in 2009-10 to help address increases for future mandated retiree contributions. Reserves like this have been instrumental in stabilizing and maintaining the financial status of the district in these difficult economic times. In the past few years contribution rates have stabilized and even decreased. The long range financial stability of the District, as well as schools around the state, will be greatly impacted by the contribution rates of these retirement funds in the next few years.

- In September of 2017, the District completed a $6 million capital project which significantly improved the physical plant (boiler and HVAC enhancements in the elementary and middle/high school buildings); paving footprint; instructional technology capacity (SmartBoards in each elementary and middle/high school classroom); safety profile (vestibules added to each building); and a renovation of the field hockey/softball field. In addition, the District is in the planning stages of $6.5M capital project focused on demolishing and rebuilding the bus garage which is structurally outdated and technologically obsolete.

- In conclusion, the Hancock Central School District has committed itself to financial planning, and fiscal accountability. The district will continue the essential long range financial plan, and will continue to strive to add to its existing fund balance and reserves to prepare for and to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Hancock Central School District
67 Education Lane
Hancock, New York 13783

HANCOCK CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

ASSETS		
Unrestricted cash	$ 594,584	
Restricted cash	4,294,810	
State and federal aid receivable	245,850	
Other receivables, net	148,610	
Due from fiduciary funds	39,542	
Due from other governments	251,438	
Inventories	6,827	
Capital assets, net	15,741,834	
Net pension asset	137,761	
Total Assets		$ 21,461,256
DEFERRED OUTFLOW OF RESOURCES		
Pensions	$ 2,399,328	
OPEB-GASB 75	390,823	
Total Deferred Outflows of Resources		$ 2,790,151
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 145,834	
Accrued liabilities	6,243	
Due to other governments	14,314	
Due to teachers' retirement system	291,152	
Due to employees' retirement system	60,211	
Bond interest payable	11,561	
Unearned revenue	8,070	
Long-Term Liabilities:		
Due and payable within one year		
Bonds payable	570,000	
Due and payable after one year		
Bonds payable	7,005,000	
Compensated absences payable	672,992	
Other postemployment benefits payable	18,134,374	
Net pension liability - proportionate share	128,383	
Total Liabilities		$ 27,048,134
DEFERRED INFLOWS OF RESOURCES		
Pensions	823,709	
OPEB-GASB 75	6,950	
Total Deferred Inflows of Resources		$ 830,659
NET POSITION		
Net Investment in Capital Assets	8,166,834	
Restricted	4,337,976	
Unrestricted (deficit)	(16,132,196)	
Total Net Position		$ (3,627,386)

See auditor's report. See notes to financial statements.

HANCOCK CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For Year Ended June 30, 2018

	Expenses	Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	$ 1,788,382	$ 553,169	$ -	$ -	$ (2,341,551)
Instruction	4,966,756	2,837,802	519,327	268,603	(7,016,628)
Pupil transportation	450,393	258,791	-	5,826	(703,358)
Community service	4,449	-	-	-	(4,449)
Employee benefits	3,745,063	(3,745,063)	-	-	-
Debt service-Interest	364,183	-	-	-	(364,183)
Depreciation-unallocated	897,304	-	-	-	(897,304)
School lunch program	223,946	95,301	66,440	124,276	(128,531)
Total Functions and Programs	$ 12,440,476	$ -	$ 585,767	$ 398,705	(11,456,004)
GENERAL REVENUES					
Real property taxes					3,568,868
Other tax items					518,117
Use of money and property					5,342
Sale of property and compensation for loss					3,668
Miscellaneous and other services					158,032
State sources					6,537,311
Federal sources					2,865
Total General Revenues					10,794,203
Change in Net Position					(661,801)
Total Net Position- Beginning of year, restated (See Note IX.)					(2,965,585)
Total Net Position - End of year					$ (3,627,386)

See auditor's report. See notes to financial statements.

HANCOCK CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2018

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	$ 594,584	$ -	$ -	$ 594,584
Restricted cash	4,294,810	-	-	4,294,810
Other receivables, net	148,610	-	-	148,610
Due from other funds	164,347	-	(164,347)	-
Due from fiduciary funds	-	-	39,542	39,542
Due from other governments	251,438	-	-	251,438
State and federal aid receivable	245,850	-	-	245,850
Inventories	6,827	-	-	6,827
Capital assets, (net)	-	15,741,834	-	15,741,834
Net pension asset	-	137,761	-	137,761
Total Assets	$ 5,706,466	$ 15,879,595	$ (124,805)	$ 21,461,256
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	$ -	$ 2,399,328	$ -	$ 2,399,328
OPEB-GASB 75	-	390,823		390,823
Total Deferred Outflows of Resources	$ -	$ 2,790,151	$ -	$ 2,790,151
LIABILITIES				
Accounts payable	$ 145,834	$ -	$ -	$ 145,834
Accrued liabilities	6,243	-	-	6,243
Bonds payable	-	7,575,000	-	7,575,000
Bond interest payable	-	11,561	-	11,561
Due to other funds	124,805	-	(124,805)	-
Due to other governments	14,314	-	-	14,314
Due to teachers' retirement system	291,152	-	-	291,152
Due to employees' retirement system	60,211	-	-	60,211
Other postemployment benefits payable	-	18,134,374	-	18,134,374
Compensated absences	-	672,992	-	672,992
Net pension liability- proportionate share	-	128,383	-	128,383
Unearned revenues	8,070	-	-	8,070
Total Liabilities	$ 650,629	$ 26,522,310	$ (124,805)	$ 27,048,134
DEFERRED INFLOWS OF RESOURCES				
Pensions	$ -	$ 823,709	$ -	$ 823,709
OPEB-GASB 75	-	6,950	-	6,950
Total Deferred Inflows of Resources	$ -	$ 830,659	$ -	$ 830,659
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Position	$ 5,055,837	$ (8,683,223)	$ -	$ (3,627,386)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	$ 5,706,466	$ 18,669,746	$ (124,805)	$ 24,251,407

See auditor's report. See notes to financial statements.

HANCOCK CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2018

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	$ 3,568,868	$ -	$ -	$ -	$ 3,568,868
Other tax items	518,117	-	-	-	518,117
Charges for services	519,327	-	-	-	519,327
Use of money and property	5,342	-	-	-	5,342
Sale of property and compensation for loss	3,668	-	-	-	3,668
Miscellaneous	173,125	-	-	-	173,125
State sources	6,559,853	-	-	-	6,559,853
Federal sources	379,028	-	-	-	379,028
Sales - school lunch	51,347	-	-	-	51,347
Total Revenues	11,778,675	-	-	-	11,778,675
EXPENDITURES\EXPENSES					
General support	1,876,424	(70,231)	(17,811)	-	1,788,382
Instruction	4,665,247	301,509	-	-	4,966,756
Pupil transportation	639,749	8,100	(197,456)	-	450,393
Community service	4,449	-	-	-	4,449
Employee benefits	2,808,344	936,719	-	-	3,745,063
Debt service-Principal	390,000	-	-	(390,000)	-
-Interest	357,997	6,186	-	-	364,183
Cost of sales	223,946	-	-	-	223,946
Capital outlay	429,114	-	(429,114)	-	-
Depreciation and loss on disposal	-	-	897,304	-	897,304
Total Expenditures	11,395,270	1,182,283	252,923	(390,000)	12,440,476
Excess (Deficiency) of Revenues Over Expenditures	383,405	(1,182,283)	(252,923)	390,000	(661,801)
OTHER SOURCES AND USES					
Operating transfers in	104,751	-	-	-	104,751
Operating transfers (out)	(104,751)	-	-	-	(104,751)
Total Other Sources (Uses)	-	-	-	-	-
Net Change for the Year	$ 383,405	$ (1,182,283)	$ (252,923)	$ 390,000	$ (661,801)

See auditor's report. See notes to financial statements.

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

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	$ 548,966	$ 6,864	$ 10,706	$ -	$ 28,048	$ 594,584
Restricted cash	4,294,810	-	-	-	-	4,294,810
State and federal aid receivable	171,985	73,865	-	-	-	245,850
Other receivables, net	146,530	-	2,080	-	-	148,610
Due from other funds	121,181	-	-	43,166	-	164,347
Due from other governments	251,438	-	-	-	-	251,438
Inventories	-	-	6,827	-	-	6,827
Total Assets	$ 5,534,910	$ 80,729	$ 19,613	$ 43,166	$ 28,048	$ 5,706,466
LIABILITIES						
Accounts payable	$ 126,854	$ 18,980	$ -	$ -	$ -	$ 145,834
Accrued liabilities	6,243	-	-	-	-	6,243
Due to teachers' retirement system	291,152	-	-	-	-	291,152
Due to employees' retirement system	60,211	-	-	-	-	60,211
Due to other funds	43,166	61,749	19,874	-	16	124,805
Due to other governments	14,252	-	62	-	-	14,314
Unearned revenues	7,633	-	437	-	-	8,070
Total Liabilities	549,511	80,729	20,373	-	16	650,629
FUND BALANCES						
Non-spendable	-	-	6,827	-	-	6,827
Restricted	4,294,810	-	-	43,166	-	4,337,976
Assigned	238,930	-	-	-	28,032	266,962
Unassigned (Deficit)	451,659	-	(7,587)	-	-	444,072
Total Fund Balances	4,985,399	-	(760)	43,166	28,032	5,055,837
Total Liabilities and Fund Balances	$ 5,534,910	$ 80,729	$ 19,613	$ 43,166	$ 28,048	$ 5,706,466

See auditor's report. See notes to financial statements.

HANCOCK CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
For Year Ended June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 3,568,868	$ -	$ -	$ -	$ -	$ 3,568,868
Other tax items	518,117	-	-	-	-	518,117
Charges for services	519,327	-	-	-	-	519,327
Use of money and property	5,339	-	3	-	-	5,342
Sale of property and compensation for loss	3,668	-	-	-	-	3,668
Miscellaneous	158,032	-	15,093	-	-	173,125
State sources	6,537,311	19,005	3,537	-	-	6,559,853
Federal sources	2,865	255,424	120,739	-	-	379,028
Sales	-	-	51,347	-	-	51,347
Total Revenues	11,313,527	274,429	190,719	-	-	11,778,675
EXPENDITURES						
General support	1,876,424	-	-	-	-	1,876,424
Instruction	4,391,073	274,174	-	-	-	4,665,247
Pupil transportation	633,923	5,826	-	-	-	639,749
Community services	4,449		-	-	-	4,449
Employee benefits	2,713,043	-	95,301	-	-	2,808,344
Debt service-principal	390,000	-	-	-	-	390,000
-interest	357,997	-	-	-	-	357,997
Cost of sales	-	-	223,946	-	-	223,946
Capital outlay	-	-	-	-	429,114	429,114
Total Expenditures	10,366,909	280,000	319,247	-	429,114	11,395,270
Excess (Deficiency) of Revenues Over Expenditures	946,618	(5,571)	(128,528)	-	(429,114)	383,405
OTHER SOURCES AND USES						
Operating transfers in	-	4,751	100,000	-	-	104,751
Operating transfers (out)	(104,751)	-	-	-	-	(104,751)
Total Other Sources (Uses)	(104,751)	4,751	100,000	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	841,867	(820)	(28,528)	-	(429,114)	383,405
Fund Balance- Beginning of year	4,143,532	820	27,768	43,166	457,146	4,672,432
Fund Balance (Deficit) - End of year	$ 4,985,399	$ -	$ (760)	$ 43,166	$ 28,032	$ 5,055,837

See auditor's report. See notes to financial statements.

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

	Private Purpose Trusts		
	Public Library	Scholarships	Agency
ASSETS			
Unrestricted cash	$ 38,656	$ 102,235	$ 228,313
Total Assets	$ 38,656	$ 102,235	$ 228,313
LIABILITIES			
Due to other funds	$ 7,385	$ 5,124	$ 27,033
Extraclassroom activity balances	-	-	41,564
Other liabilities	931	-	159,716
Total Liabilities	8,316	5,124	$ 228,313
NET POSITION			
Assigned	30,340	-	
Reserved for scholarships	-	97,111	
Total Liabilities and Net Position	$ 38,656	$ 102,235	

See auditor's report. See notes to financial statements.

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

	Private Purpose Trusts	
	Public Library	Scholarships
REVENUES		
Contributions	$ 629	$ 38,776
Interest	-	44
Taxes	81,203	-
Charges	2,473	-
Grants	8,768	-
State aid	4,141	-
Miscellaneous	1,680	-
Total Revenues	98,894	38,820
EXPENDITURES		
Salaries	50,290	-
Employee benefits	11,224	-
Equipment	155	-
Contractual expenses	31,504	-
Scholarships and awards	-	44,650
Total Expenditures	93,173	44,650
Change in Net Position	5,721	(5,830)
Net Position - Beginning of year	24,619	102,941
Net Position - End of year	$ 30,340	$ 97,111

See auditor's report. See notes to financial statements.

I. Summary of Significant Accounting Policies

The financial statements of the Hancock Central School District have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.
Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The Hancock 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 5 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

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

I. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Public Library

In an agreement dated August 9, 1955 the Read Foundation conveyed the title to real property and its contents to Hancock Central School District. The District agreed to carry on the library in perpetuity. The Public Library has their own Treasurer and Trustees. For library purposes it is shown as a Private Purpose Trust Fund in the accompanying financial statements.

B. Joint Venture

The Hancock Central School District is one of 17 component school districts in the Delaware-Chenango-Madison-Otsego Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which their students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2018, the Hancock Central School District was billed $1,500,000 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to $389,632. Financial statements for the BOCES Aid are available from the BOCES administrative office.

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation

1. Districtwide Statements

The Districtwide 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 nonexchange 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 Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

2. Fund Financial Statements

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

The District reports the following funds:

a. Major Governmental Funds

(1) **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.

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

a. Major Governmental Funds (Continued)

(2) **Special Aid Fund** – 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 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.

(3) **School Lunch Fund** – Used to account for transactions of the District's lunch and breakfast programs.

(4) **Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

(5) **Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. 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 districtwide 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:

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

(2) **Agency Funds** – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

I. Summary of Significant Accounting Policies (Continued)

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

E. 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. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 7. Taxes are collected during the period September 1 to November 9.

Uncollected real property taxes are subsequently enforced by the County of Delaware. An amount representing uncollected real property taxes is transmitted to the County for enforcement and is paid by the County to the District no later than the forthcoming April 1.

G. Restricted Resources

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

H. 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 districtwide 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 funds, with the exception of those due from or to the fiduciary funds.

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 V for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

J. Receivables

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

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that 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 represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. Under the consumption method, a current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the districtwide financial statements and their use is limited by applicable bond covenants.

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

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

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	$ 500	40 years
Furniture, Equipment and Vehicles	$ 500	5-15 years

N. Compensated Absences

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

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

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

I. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year end. In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available resources. These amounts are expensed on a pay-as-you-go basis.

O. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the districtwide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the 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 fund financial statements when due.

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

P. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category, both of which relate to pensions. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the districtwide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item is related to OPEB reported in the districtwide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

R. Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

S. Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

I. Summary of Significant Accounting Policies (Continued)

T. Short-Term Debt

The School District may issue Revenue and Tax Anticipation Notes in anticipation of 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 revenue anticipation and tax anticipation notes 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 School District may issue Bond Anticipation Notes in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

U. Equity Classifications

1. Districtwide Statements

In the districtwide 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, construction or improvement 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 all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of $6,827.

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:

1. Encumbrances
   Encumbrance accounting, under which purchase orders, contracts and 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.

2. Unemployment Insurance
   This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Employee Benefit Accrued Liability
This reserve is used to set aside funds 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.

4. Tax Certiorari
This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

5. Employee Retirement Contributions
This reserve is used for future employee's retirement obligations. 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.

6. Capital Projects
Used to account for the financial resources that are restricted by voter approved propositions for acquisition, construction or major repair of capital facilities. This reserve is accounted for in the general fund.

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

7. Repair

This reserve is 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. 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.

Restricted fund balance includes the following:

General Fund:		
Employee Benefit Accrued Liability	$	574,434
Unemployment		33,314
Employee Retirement Contributions		1,050,000
Repair		50,255
Capital- Buses		715,385
Capital		1,738,166
Tax Certiorari		133,256
Debt Service Fund		43,166
Total restricted funds	$	4,337,976

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, the Board of Education. The School District has no committed fund balances as of June 30, 2018.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to $56,816 and the assigned fund balance amounted to $182,114.

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

7. Repair

This reserve is 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. 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.

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II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements

Due to differences in the measurement focus and basis of accounting used in the governmental fund statements and the districtwide 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.

1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

   Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets.

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

   Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

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

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

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

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

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

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from 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 of their useful lives.

Original cost of capital assets	$27,000,333
Accumulated depreciation	11,258,499
Capital assets, net	$15,741,834

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

Bonds payable	$ 7,575,000
OPEB obligations	$18,134,374
Compensated Absences	$ 672,992
Net Pension Liability-Proportionate Share	$ 266,144

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation and loss on disposal of $897,304 was more than capital expenditures of $644,381 in the current year.

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

Repayment of bond principal of $390,000 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities increased by $6,186.

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement #75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note IX. for the financial statement impact of the implementation of the statement.

IV. Cash and Investments

A. Deposits

The Hancock Central School District's investment policies are governed by State statutes. The Hancock Central School District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are: obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

IV. Cash and Investments (Continued)

A. Deposits (Continued)

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

The District did not have any investments at year end or during the year.

V. Interfund Transaction

Interfund balances at June 30, 2018 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	$ 121,181	$ 43,166	$ -	$ 104,751
Special Aid Fund	-	61,749	4,751	-
School Lunch Fund	-	19,874	100,000	-
Debt Service Fund	43,166	-	-	-
Capital Fund	-	16	-	-
Total governmental activities	164,347	124,805	$ 104,751	$ 104,751
Fiduciary Agency Fund		39,542		
Totals	$ 164,347	$ 164,347		

The District typically transfers from the General Fund to the Special Aid Fund to pay its' share of the Summer Handicapped Program.

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

VI. Capital Assets

A summary of changes in general fixed assets follows:

	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Capital assets-not depreciated:				
Land	$ 107,750	$ -	$ -	$ 107,750
Construction in progress	5,865,686	393,107	-	6,258,793
Total capital assets-not depreciated:	5,973,436	393,107	-	6,366,543
Other capital assets:				
Buildings and improvements	16,917,821	-	-	16,917,821
Furniture, Equipment and Vehicles	3,700,699	251,274	236,004	3,715,969
Total other capital assets:	20,618,520	251,274	236,004	20,633,790
Less accumulated depreciation:				
Buildings and improvements	7,908,803	530,679	-	8,439,482
Furniture, Equipment and Vehicles	2,688,396	336,697	206,076	2,819,017
Total accumulated depreciation	10,597,199	867,376	206,076	11,258,499
Other capital assets, net	10,021,321	(616,102)	29,928	9,375,291
Total	$ 15,994,757	$ (222,995)	$ (29,928)	$ 15,741,834

Depreciation expense was not allocated in the Statement of Activities.

VII. Pension Plans

1. General Information

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

2. Plan Descriptions and Benefits Provided

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

Employees' Retirement System (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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

VII. Pension Plans (Continued)

Funding Policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier 6 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.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Contributions

	ERS	TRS
2018	$220,802	$358,862
2017	$210,305	$423,002
2016	$257,495	$519,185

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

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

	ERS	TRS
Actuarial valuation date	31-Mar-18	30-Jun-17
Net pension liability/(asset)	$128,383	($137,761)
District's portion of the Plan's total net pension liability	.0039779%	.018124%
Change in proportion since the prior measurement date	.0001362%	.001335%

VII. Pension Plans (Continued)

For the year ended June 30, 2018, the District's recognized pension expense of $202,248 for ERS and $356,671 for TRS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$45,790	$113,343	$37,839	$53,711
Changes of assumptions	85,129	1,401,740	0	0
Net difference between projected and actual earnings on pension plan investments	186,467	0	368,067	324,466
Changes in proportion and differences between the District's contributions and proportionate share of contributions	131,772	98,099	6,244	33,382
District's contributions subsequent to the measurement date	60,211	276,777	0	0
Total	$509,369	$1,889,959	$412,150	$411,559

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Year ended:		
2018	$ -	$ 42,204
2019	74,522	381,182
2020	60,969	275,716
2021	(69,518)	76,208
2022	(28,964)	274,944
2023		
Thereafter		151,370

VII. Pension Plans (Continued)

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2018
Actuarial valuation date	April 1, 2017	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	3.80%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.5%

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 AA.

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

VII. Pension Plans (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:

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type	%	%
Domestic Equities	36%	35%
International Equities	14%	18%
Private Equity	10%	8%
Real Estate	10%	11%
Domestic fixed income securities	0%	16%
Global fixed income securities	0%	2%
Bonds and Mortgages	17%	8%
Short-term	0%	1%
Absolute return strategies	2%	0%
Opportunistic portfolio	3%	0%
Real Assets	3%	0%
Cash Equivalents	1%	0%
Inflation-Indexed bonds	4%	0%
High yield fixed income securities	0%	1%

5. 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.

VII. Pension Plans (Continued)

6. Sensitivity of the Proportionate Share of Net Pension Asset/Liability to the Discount Rate Assumption

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

ERS	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension (asset) liability	$971,384	$128,383	($584,761)

TRS	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Employer's proportionate share Of the net pension (asset) liability	$2,373,206	($137,761)	($2,240,570)

7. Pension Plan Fiduciary Net Position

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	$ 183,400,590	$ 114,708,261,032
Plan Fiduciary Net Position	180,173,145	115,468,360,316
Employers' net pension liability/(asset)	3,227,445	(760,099,284)
Ratio of plan fiduciary net position to the Employers' total pension (asset)/liability	98.2400%	100.6600%

VII. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $60,211.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $276,777.

VIII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	$357,997
Less interest accrued in the prior year	(5,375)
Plus interest accrued in the current year	11,561
Total expense	$364,183

2. Changes

	Restated Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
Serial Bonds	$ 7,965,000	$ -	$ 390,000	$ 7,575,000	$ 570,000
Compensated Absences	433,614	239,378	-	672,992	
OPEB Obligations	17,234,491	899,883	-	18,134,374	
Net Pension Liability-Proportionate Share	569,388	-	303,244	266,144	
Totals	$ 26,202,493	$ 1,139,261	$ 693,244	$ 26,648,510	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately. In addition, $574,434 of the compensated absences has been reserved by the District.

3. Maturity

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2018
Serial Bonds:				
Adv. Refunding	6/15/2016	6/15/2029	2-4%	$ 3,300,000
Reconstruction	6/15/2017	6/15/2032	5.00%	4,275,000
				$ 7,575,000

VIII. Long-Term Debt Obligations (Continued)

3. Maturity (Continued)

b. The following is a summary of maturing principal debt service requirements:

	Year	Principal	Interest	Total
Serial Bonds:	2019	$ 570,000	$ 277,475	$ 847,475
	2020	590,000	256,925	846,925
	2021	610,000	242,200	852,200
	2022	625,000	225,100	850,100
	2023	645,000	204,950	849,950
	2024 and thereafter	4,535,000	934,500	5,469,500
	Total	$ 7,575,000	$ 2,141,150	$ 9,716,150

Prior-Year Defeasance of Debt

In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds and the trust account assets are not included in the financial statements.

IX. Postemployment (Health Insurance) Benefits

A. General Information about the OPEB Plan

Plan Description- The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Statement 75.

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

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

Inactive members or beneficiaries currently receiving benefit payments	50
Inactive members entitled to but not yet receiving benefit payments	-
Active members	95
Total membership	145

B. Total OPEB Liability

The District's total OPEB liability of $18,134,374 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

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

IX. Postemployment (Health Insurance) Benefits (Continued)

B. Total OPEB Liability (Continued)

Inflation	2.6%
Salary Increases	3.0%, average, including inflation
Discount Rate	3.0%
Healthcare Cost Trend Rates	7.5% for 2016, decreasing to an ultimate rate of 4.5% by 2022

The discount rate was based on the Bond Byer General Obligation 20-year Municipal Bond Index .

Mortality rates were based on the April 1, 2010-March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	$17,234,491
Changes for the Year	
Service cost	764,399
Interest	534,148
Changes of benefit terms	-
Differences between expected and actual experience	(7,841)
Changes in assumptions or other inputs	-
Benefit payments	(390,823)
Net Changes	899,883
Balance at June 30, 2018	$18,134,374

IX. Postemployment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 4% in 2017 to 3% in 2018.

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 1percentage point lower (2%) or 1 percentage point higher (4%) than the current discount rate:

	(2%) 1% Decrease	Current Discount Rate (3%)	(4%) 1% Increase
Total OPEB Liability	$21,699,963	$18,134,374	$15,334,941

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 14,707,713	$ 18,134,374	$ 22,721,380

IX. Postemployment (Health Insurance) Benefits (Continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of $881,320. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$390,823	$ -
Differences between expected and actual experience	-	(6,950)
Total	$390,823	($ 6,950)

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

Fiscal Year Ending June 30,	Amount
2019	($ 891)
2020	(891)
2021	(891)
2022	(891)
2023	(891)
Thereafter	(2,495)

IX. Postemployment (Health Insurance) Benefits (Continued)

E. For the fiscal year ended June 30, 2018, the District implemented GASB Statement #75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*- Amendment to GASB Statement #45. The implementation of Statement #75 resulted in the reporting of Other Post-Employment Benefits (OPEB) liabilities, expenses, deferred outflow of resources and deferred inflows of resources related to OPEB. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 2,579,131
GASB Statement No. 75 implementation	
Beginning System Liability- Total OPEB Liability	(5,910,026)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	365,310
Net position beginning of year, as restated	($2,965,585)

X. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Hancock Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 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.

2. Grants

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

X. Commitments and Contingencies (Continued)

A. Risk Financing and Related Insurance (Continued)

3. Health Insurance

Hancock Central School District, participating with 12 other School Districts, incurs costs related to an employee health insurance plan (Plan) sponsored by Delaware-Chenango-Madison-Otsego School Health Insurance Consortium (DCMOSHC), of which the School District is a member. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of 1 year; a member may withdraw from the Plan effective only once annually on the last day of the Plan year as may be established from time to time by the Board of Directors.

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims' costs depend on complex factors, the process used in computing claims' liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) which have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are made.

The Consortium is a shared-risk public entity risk pool whereby each entity pays annual premiums based on the aggregate expected claims for all enrollees. During the year ended June 30, 2018 (last available audit), the School District paid health insurance premiums to the Consortium. Paid claims are also accounted for in the aggregate with individual entity activity not being tracked separately. Due to this arrangement, a possible contingent liability exists for Hancock Central School District as a result of the possibility that any participating entity may have actual claims less than its annual premiums and try to recover its portion due to it through the Consortium participants.

XI. Other Disclosures

A. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	$ 5,055,837
Capital assets (net)	15,741,834
Net pension asset	137,761
Deferred outflows of resources	2,790,151
Bonds payable	(7,575,000)
Accrued interest payable	(11,561)
Net pension liability- proportionate share	(128,383)
Deferred inflows of resources	(830,659)
Compensated absences	(672,992)
OPEB obligations	(18,134,374)
Total net position	$ (3,627,386)

XI. Other Disclosures (Continued)

B. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net changes in fund balance – total governmental funds	$383,405
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	644,381
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(897,304)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	390,000
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2017/18 results in more expense.	(6,186)
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	(76,358)
Employee's Retirement System	20,959
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(881,320)
Compensated absences	(239,378)
Change in Net Position – Governmental Activities	($661,801)

XII. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (When permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The General Fund budget was increased to reflect donations, purchase of buses, tax certiorari, prior year encumbrances and contingent expenditures.

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

Budgets are established and used for individual capital project funds 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.

Special Aid Fund and School Lunch Fund have not been included because they do not have legally authorized budgets.

XII. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

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

3. The School Lunch Fund had a deficit fund balance of $760. The primary factor for the deficit was that the cost of operations exceeded the revenues by $28,528. As there is no provision in the statute for operating this fund at a a deficit, steps should be taken to operate this fund in a "breakeven" or profitable manner.

XIII. Subsequent Events

There were no significant subsequent events to report from the period of July 1, 2018 to October 1, 2018.

HANCOCK CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET - GENERAL FUND
For Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	$ 3,583,786	$ 3,583,786	$ 3,568,868	$ (14,918)
Other tax items	516,707	516,707	518,117	1,410
Charges for services	260,000	260,000	519,327	259,327
Sale of property and compensation for loss	-	-	3,668	3,668
Use of money and property	2,000	2,000	5,339	3,339
Miscellaneous	50,000	79,896	158,032	78,136
Total Local Sources	4,412,493	4,442,389	4,773,351	330,962
State Sources	6,265,146	6,265,146	6,537,311	272,165
Federal Sources	2,000	2,000	2,865	865
Total Revenues	10,679,639	10,709,535	11,313,527	$ 603,992
Appropriated Reserves	200,000	357,418		
Appropriated Fund Balance	282,114	390,766		
Total Revenues, Appropriated Reserves and Fund Balance	$ 11,161,753	$ 11,457,719		

See paragraph on required supplementary information included in auditor's report.

HANCOCK CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	$ 35,629	$ 35,941	$ 27,869	$ 876	$ 7,196
Central administration	180,721	207,359	191,326	3,943	12,090
Finance	222,872	196,417	183,118	9,629	3,670
Staff	63,206	88,510	84,950	338	3,222
Central services	910,851	1,205,571	1,130,176	17,740	57,655
Special items	256,614	272,007	258,985	-	13,022
Total General Support	1,669,893	2,005,805	1,876,424	32,526	96,855
Instructional					
Instruction, administration and improvement	305,671	257,279	215,640	2,457	39,182
Teaching - regular school	2,334,937	2,455,710	2,425,145	6,974	23,591
Programs for children with handicapping conditions	1,091,970	765,519	686,729	517	78,273
Occupational education	358,466	368,194	360,446	228	7,520
Teaching - special school	23,187	35,187	5,482	-	29,705
Instructional media	300,055	247,455	128,298	621	118,536
Pupil services	578,501	650,473	569,333	9,102	72,038
Total Instructional	4,992,787	4,779,817	4,391,073	19,899	368,845
Pupil transportation	401,490	655,502	633,923	4,391	17,188
Community service	4,446	4,449	4,449	-	-
Employee benefits	3,149,224	3,063,433	2,713,043	-	350,390
Debt service					
Principal	500,000	485,916	390,000	-	95,916
Interest	343,913	357,997	357,997	-	-
Total Expenditures	11,061,753	11,352,919	10,366,909	56,816	929,194
OTHER FINANCING USES					
Operating transfers	100,000	104,800	104,751	-	49
Total Expenditures and Other Uses	$ 11,161,753	$ 11,457,719	10,471,660	$ 56,816	$ 929,243
Net change in fund balance			841,867		
Fund balance- Beginning			4,143,532		
Fund balance- Ending			$ 4,985,399		

See paragraph on required supplementary information included in auditor's report.

HANCOCK CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
For Year Ended June 30, 2018

		2018
Total OPEB Liability		
Service Cost at end of year	$	764,399
Interest		534,148
Changes of benefit terms		-
Difference between expected and actual experience		(7,841)
Changes of assumptions or other inputs		-
Benefit payments		(390,823)
Net change in Total OPEB Liability		899,883
Total OPEB Liability- beginning		17,234,491
Total OPEB Liability- ending	$	18,134,374
Covered-employee payroll		4,108,498
Total OPEB Liability as a percentage of covered-employee payroll		441.39%

See paragraph on required supplementary information included in auditor's report

HANCOCK CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2018

	Teachers' Retirement System		
	2018	2017	2016
District 's proportion of the net pension asset/liability	.018124%	.019459%	.018781%
District's proportionate share of the net pension (asset)/liability	$ (137,761)	$ 208,411	$ (1,950,705)
District's covered-employee payroll	$ 2,912,472	$2,842,082	$ 3,112,368
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	4.73%	7.33%	62.70%
Plan fiduciary net position as a percentage of the total pension asset/liability	100.66%	99.01%	110.46%

	Employees' Retirement System		
	2018	2017	2016
District 's proportion of the net pension liability	.0039779%	.0038417%	.0040974%
District's proportionate share of the net pension liability	$ 128,383	$ 360,977	$ 657,651
District's covered-employee payroll	$ 1,356,062	$1,426,753	$ 1,217,745
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	9.47%	28.16%	54.00%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%

See paragraph on required supplementary information included in auditor's report.

HANCOCK CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2018

	Teachers' Retirement System		
	2018	2017	2016
Contractually required contribution	$ 276,777	$ 354,449	$ 434,789
Contributions in relation to the contractually required contribution	276,777	354,449	434,789
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 2,912,472	$ 2,842,082	$ 3,112,368
Contributions as a percentage of covered employee payroll	9.50%	12.47%	13.96%

	Employees' Retirement System		
	2018	2017	2016
Contractually required contribution	$ 220,802	$ 210,305	$ 257,495
Contributions in relation to the contractually required contribution	220,802	210,305	257,495
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 1,356,062	$ 1,426,753	$ 1,217,745
Contributions as a percentage of covered employee payroll	16.28%	14.74%	21.10%

See paragraph on required supplementary information included in auditor's report.

HANCOCK CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
REAL PROPERTY TAX LIMIT
For Year Ended June 30, 2018

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		$ 11,161,753
Additions:		
Prior year's encumbrances	$ 36,246	
Donations	29,896	
Tax certiorari	15,394	
Equipment	7,500	
Purchase of vehicles	206,930	295,966
Final Budget		$ 11,457,719

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 Voter-approved Expenditure Budget		$ 11,291,458
Maximum allowed (4% of 2018-2019 Budget)		$ 451,658
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Committed fund balance	$ -	
Assigned fund balance	238,930	
Unassigned fund balance	451,659	
Total unrestricted fund balance	$ 690,589	
Less:		
Appropriated fund balance	182,114	
Encumbrances included in committed and assigned fund balance	56,816	
Total adjustments	$ 238,930	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 451,659
Actual percentage		4.00%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See paragraph on required supplementary information included in auditor's report.

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

			Expenditures				Methods of Financing			
	Original Budget	Revised Budget	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	Local Sources	Total	Fund Balance June 30, 2018
PROJECT TITLE										
Districtwide	$ 6,600,000	$ 6,600,000	$ 6,143,449	$ 429,114	$ 6,572,563	$ 27,437	$ 4,335,000	$ 2,265,000	$ 6,600,000	$ 27,437

See paragraph on required supplementary information included in auditor's report.

HANCOCK CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net		$ 15,741,834
Deduct:		
Short-term portion of bonds payable	$ 570,000	
Long-term portion of bonds payable	7,005,000	7,575,000
Net investment in capital assets		$ 8,166,834

See paragraph on require supplementary information included in auditor's report.

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

To the Board of Education of the
Hancock Central School District:

We have audited, 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, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Hancock Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated October 1, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hancock Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we have reported to Board of Education, Audit Committee, and management in our accompanying management letter.

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.

Raymond G. Heussner CPA

Claverack, New York
October 1, 2018

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To the Board of Education of the
Hancock Central School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Hancock Central School District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Hancock Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hancock Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 1, 2018 on the financial statements of the Hancock Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

School Lunch Fund

During our audit, we noted that the Fund had an operating loss of $128,528 prior to a transfer of $100,000 from the General Fund, which created a deficit fund balance of $760.

The Fund is indebted to the General Fund in the amount of $19,874 at June 30, 2018, with insufficient funds to repay. However, the Fund did have a cash balance of $10,706, which would have enabled it to repay a portion of the loan.

The overall deficiency is computed as follows:

Cash	$10,706
Receivables	2,000
Funds Available	12,706
Liabilities	(20,373)
Cash Deficiency	($7,667)

Our review of the operation showed that expenses far exceeded revenue. The main reason for the excess was in salaries and benefits. The food costs have remained fairly consistent over the past five years.

Salaries	$146,280
Benefits	95,301
Food	71,162
Material/Supplies	6,504
	$319,247

We recommend that the Board of Education review the operation and establish a plan to bring salaries and benefits into line or increase the interfund transfer from General Fund.

This communication is intended solely for the information and use of the Board of Education, management, the audit committee, the New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.

Raymond G. Preusser