

GERMANTOWN CENTRAL SCHOOL DISTRICT

**Financial Statements and
Required Report as of and for the year ended
June 30, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited).....	3-11
FINANCIAL STATEMENTS	
Statement of net position	12
Statement of activities	13
Balance sheet – Governmental funds	14-15
Reconciliation of total governmental fund balance to the government wide statement of net position.....	16
Statement of revenue, expenditures, and changes in fund balance – Governmental funds	17
Reconciliation of the statement of revenue, expenditures, and changes in fund balance to the statement of activities	18
Statement of net position - Fiduciary funds.....	19
Statement of changes in net position - Fiduciary funds.....	19
Notes to financial statements.....	20-47
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of revenue, expenditures, and change in fund balance – Budget and actual - General fund.....	48-49
Schedule of funding progress – other postemployment benefit plan.....	50
Schedule of proportionate share of net pension liability (asset).....	51
Schedule of contributions – pension plans.....	52
SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of change from original budget to revised budget.....	53
Schedule of Section 1318 of Real Property Tax Law Limit calculation	53
Schedule of project expenditures – Capital projects fund	54
Schedule of net investment in capital assets	55

CONTENTS (Continued)

REQUIRED REPORT

Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	56-57
Schedule of findings and responses	58-59

INDEPENDENT AUDITOR'S REPORT

October 11, 2017

To the Board of Education of
Germantown Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Germantown Central School District (School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 aggregate remaining fund information of Germantown Central School District as of June 30, 2017, 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Required Supplementary Information

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements as a whole. The supplemental information described in the table of contents, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements.

The 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 11, 2017, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

GERMANTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the Germantown Central School District's (District) financial performance for the fiscal year ended June 30, 2017. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the School District was \$2,356,136.
- Government-wide net position was \$1,003,942 less than at July 1, 2016.
- The School District substantially continued to offer all programs, without reducing services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

Figure A-1 Organization of the School District's Annual Financial Report

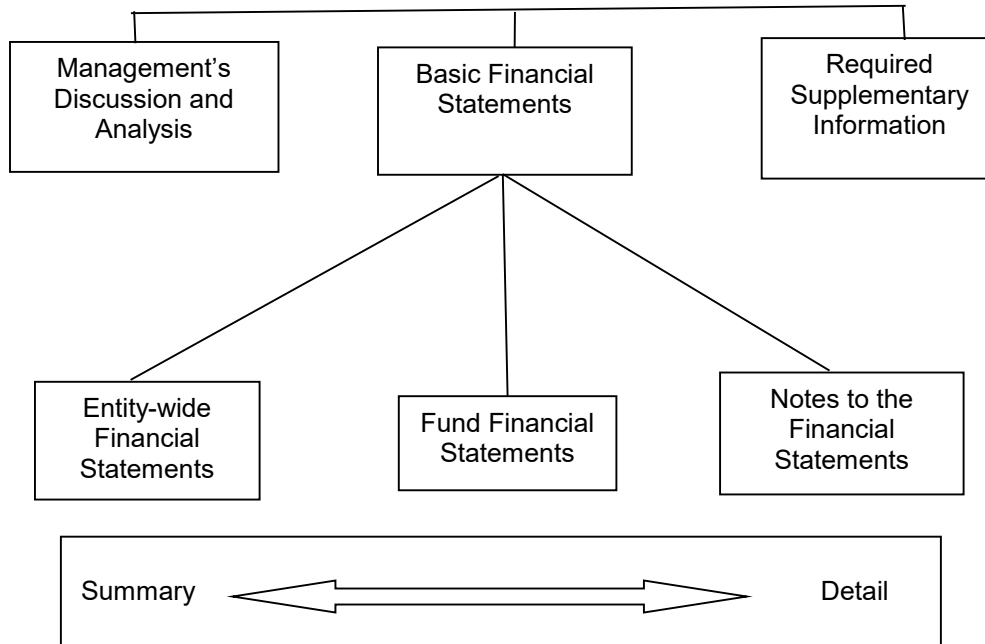


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The daily operating activities of the School District, such as instruction and special education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and change in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of change in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset & deferred outflows of resources/liabilities & deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 Major Features of the Government-wide and Fund Financial Statements
(Continued)

Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid
------------------------------------	---	--	---

Government-wide Statements

The Government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets/deferred outflows of resources and liabilities/deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the School District's *net position* and how they have changed. Net position – the difference between the School District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differs from governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, capital projects fund, and the debt service fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Figure A-3 Condensed Statement of Net position (In Thousands of Dollars)

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>	Percent <u>Change</u>
Current and other assets	\$ 7,440	\$ 6,442	15.49%
Non current assets	<u>12,560</u>	<u>15,668</u>	-19.84%
Total assets	<u>\$ 20,000</u>	<u>\$ 22,110</u>	-9.54%
Deferred outflows of resources	<u>\$ 3,706</u>	<u>\$ 1,120</u>	230.89%
Current liabilities	\$ 3,105	\$ 2,405	29.11%
Long-term liabilities	<u>18,031</u>	<u>16,197</u>	11.32%
Total liabilities	<u>\$ 21,136</u>	<u>\$ 18,602</u>	13.62%
Deferred inflows of resources	<u>\$ 213</u>	<u>\$ 1,268</u>	-83.17%
Net position:			
Net investment in capital assets	\$ 11,276	\$ 9,598	17.48%
Restricted	3,559	2,334	52.49%
Unrestricted	<u>(12,478)</u>	<u>(8,572)</u>	45.57%
Total net position	<u>\$ 2,357</u>	<u>\$ 3,360</u>	-29.85%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Changes in Net Position

The School District's 2017 revenue was \$15,132,085 (See Figure A-4). Property taxes and State aid accounted for the majority of revenue by contributing 56% and 35%, respectively, of the total revenue raised (see Figure A-5). The remainder of revenue came from various other sources such as charges for services, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$16,136,027 for 2017. 83% of these expenses are predominately for the education, supervision, and transportation of students (see Figure A-6).

Net position decreased during the year by \$1,003,942 as a result of operations.

Figure A-4 Changes in Net Position from Operating Results (In Thousands of Dollars)

	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Percent</u> <u>Change</u>
Program Revenue:			
Charges for services	\$ 66	\$ 60	10.00%
Operating grants	790	818	-3.42%
General Revenue:			
Property taxes and tax items	8,447	8,388	0.70%
Use of money and property	21	16	31.25%
Sale of property and compensation for loss	6	2	200.00%
Miscellaneous	356	356	0.00%
State aid	5,371	4,803	11.83%
Federal aid	76	95	-20.00%
Total revenue	<u>15,133</u>	<u>14,538</u>	4.09%
Expenses:			
General support	2,631	2,106	24.93%
Instruction	12,334	11,889	3.74%
Transportation	813	770	5.58%
Debt service - Interest	122	152	-19.74%
Cost of sales - Food	236	265	-10.94%
Total expenses	<u>16,136</u>	<u>15,182</u>	6.28%
Decrease in net position	<u>\$ (1,003)</u>	<u>\$ (644)</u>	55.75%

Property tax revenues increase slightly due to the small increase in the tax levy. Sale of property increased due to a sale of an old pickup truck. State aid revenue saw an 11.83% increase mostly from an increase in foundation and building aid.

The increase in general support expenses can be explained by the increase cost in employee benefits and depreciation.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Figure A-5:

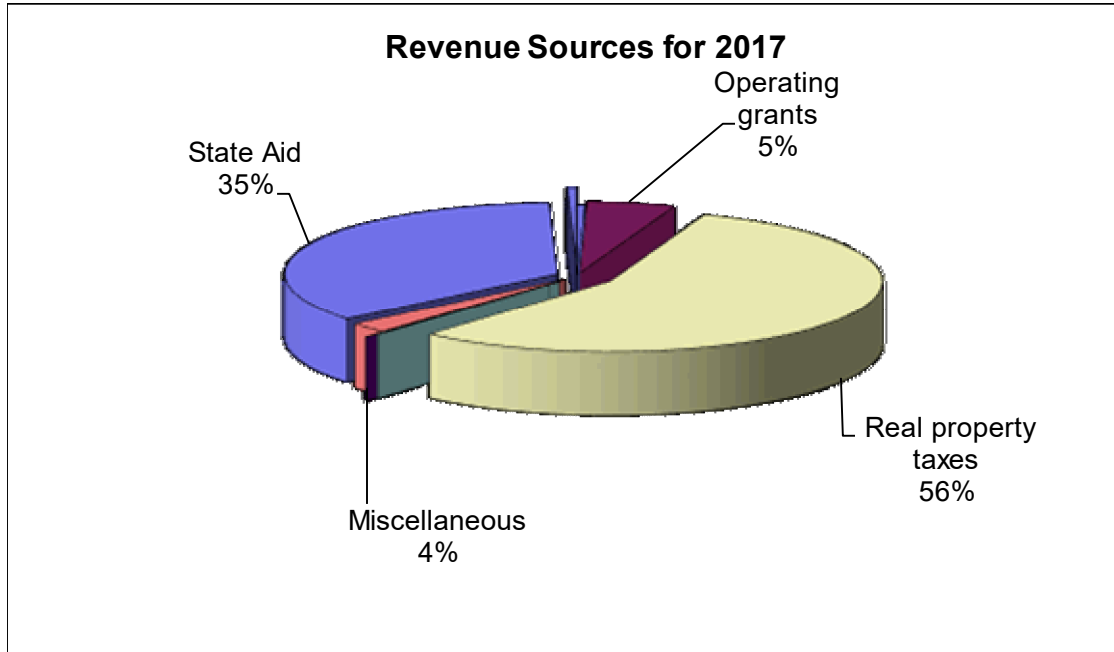
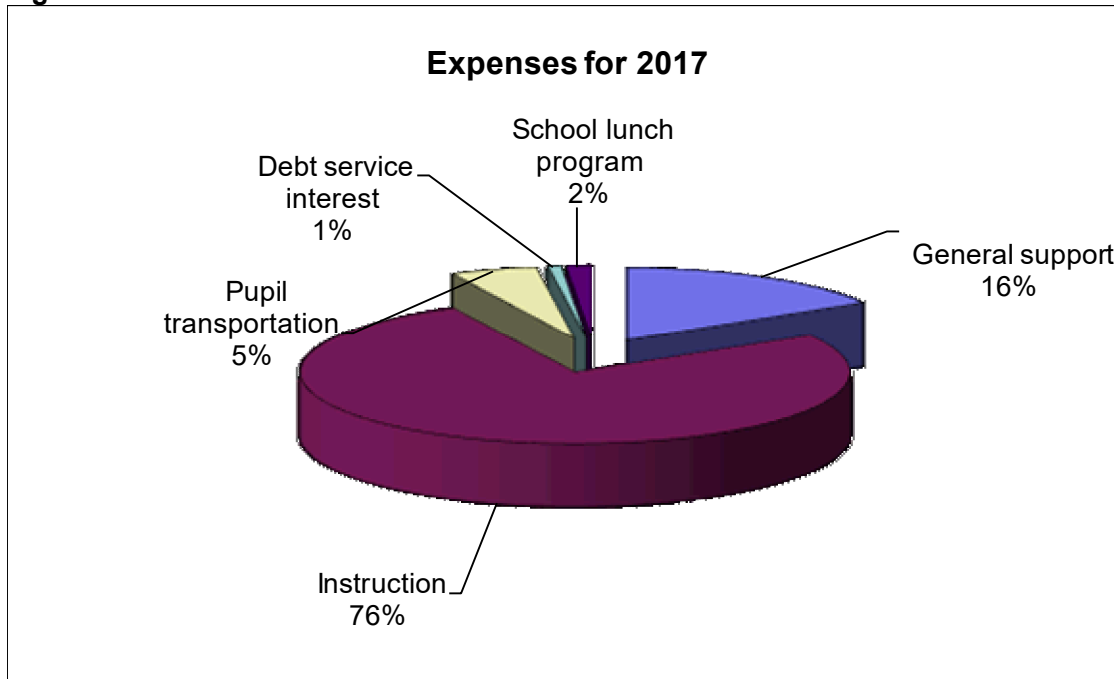


Figure A-6:



Governmental Activities

Revenue for the School District's governmental activities totaled \$15,132,085 while total expenses were \$16,136,027. Accordingly, net position decreased by \$1,003,942. The decrease in net position is primarily due to the result of adjustments related to GASB Statement Nos. 68 and 71 as well as the costs associated with the School District's other post-employment benefits.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Figure A-7 presents the cost of several of the School District's major activities. The figure also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Figure A-7 Net Cost of Governmental Activities (In Thousands of Dollars)

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
General support	\$ 2,631	\$ 2,631	\$ 2,106	\$ 2,106
Instruction	12,334	11,647	11,889	11,191
Pupil transportation	813	813	770	770
Debt service - Interest	122	122	152	152
Cost of sales - Food	236	68	265	85
	<u>\$ 16,136</u>	<u>\$ 15,280</u>	<u>\$ 15,182</u>	<u>\$ 14,304</u>

- The cost of all governmental activities for the year was \$16,136,027.
- The users of the School District's programs financed \$65,728 of the costs.
- The federal and state government financed \$789,800 of the costs.
- The majority of costs were financed by the School District's taxpayers and unallocated State aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the Government-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

Governmental Funds Highlights

General Fund – Revenues increased mostly due to tax increase and state aid increases in foundation and building aid. The increase in expenses was mostly due to salary increases, due to contract obligations. The School District has also seen an increase in employee benefit cost.

Special Aid Fund – No additional special grants were funded and there is no expectation of new funds in the near future.

School Lunch Fund – The program resulted in a decrease in the fund balance in the current year primarily due to decrease in sales and increase in cost of sales

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund. The general fund is the only fund for which a budget is legally adopted.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Revenue Variances

- Miscellaneous sources were favorable due to refunds of prior year's expenditures.

Expenditure Variances

- Instruction was favorable predominately due to less than expected special education costs.

Results vs. Budget (In Thousands of Dollars)

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Local sources	\$ 8,836	\$ 8,975	\$ 8,835	\$ -	\$ (140)
State aid	5,109	5,124	5,371	-	247
Federal aid	<u>40</u>	<u>40</u>	<u>76</u>	<u>-</u>	<u>36</u>
Total	<u>13,985</u>	<u>14,139</u>	<u>14,282</u>	<u>-</u>	<u>143</u>
Expenditures:					
General support	1,719	1,770	1,376	100	294
Instruction	7,200	7,327	6,613	64	650
Transportation	888	900	792	39	69
Employee benefits	3,995	3,995	3,710	-	285
Debt service	952	952	924	-	28
Transfers out	<u>30</u>	<u>128</u>	<u>117</u>	<u>-</u>	<u>11</u>
Total	<u>14,784</u>	<u>15,072</u>	<u>13,532</u>	<u>203</u>	<u>1,337</u>
Revenue over (under) expenditures	<u>\$ (799)</u>	<u>\$ (933)</u>	<u>\$ 750</u>	<u>\$ (203)</u>	<u>\$ 1,480</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2017, the School District had \$12,559,780 invested in buildings, computers, and other educational equipment.

Figure A-8 Capital Assets (In Thousands of Dollars), net of accumulated depreciation

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
Land	\$ 89	\$ 89
Construction in progress	943	246
Buildings and improvements	<u>11,528</u>	<u>11,934</u>
Total	<u>\$ 12,560</u>	<u>\$ 12,269</u>

Long-Term Debt

As of June 30, 2017, the School District had \$\$18,856,250 in long-term debt. Detailed information about the School District's long-term debt is included in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Figure A-9 Outstanding Long-Term Debt (In Thousands of Dollars)

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
General obligation bonds	\$ 1,150	\$ 1,970
Other postemployment benefits	16,775	14,304
Net pension liability - TRS	353	-
Net pension liability - ERS	273	412
Compensated absences	306	379
Total	<u>\$ 18,857</u>	<u>\$ 17,065</u>

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

- The cost of providing special education services is rising at a higher rate than other areas of expenditures.
- The School District continues to see health benefit costs rise.
- The constant fluctuation of costs of energy will continue to affect the costs of operating the School District's buildings, as well as the cost of transporting students.
- The School District is not aware of any lawsuits that could have a material effect on the School District's finances.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Germantown Central School District
123 Main Street
Germantown, New York 12526

GERMANTOWN CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS:

Cash - Unrestricted	\$ 1,510,720
Cash - Restricted	4,998,089
Accounts receivable	11,471
Due from fiduciary funds	3,643
State and federal aid receivable	788,529
Due from other governments	122,126
Inventory	<u>5,803</u>
Total current assets	<u>7,440,381</u>

NON-CURRENT ASSETS:

Capital assets, net	<u>12,559,780</u>
Total non-current assets	<u>12,559,780</u>
Total assets	<u>20,000,161</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred amount of debt refundings	20,044
Deferred outflows of resources - ERS pension	215,462
Deferred outflows of resources - TRS pension	<u>3,470,110</u>
Total deferred outflows of resources	<u>3,705,616</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	90,959
Due to other governments	307
Unearned revenue	16,523
Due to Teachers' Retirement System	663,680
Due to Employees' Retirement System	31,348
Bond interest accrual	2,172
Bond anticipation note payable	1,475,000
Bonds payable, current portion	<u>825,000</u>
Total current liabilities	<u>3,104,989</u>

LONG-TERM DEBT

Bonds payable, less current portion	325,000
Compensated absences	305,719
Other postemployment benefits	16,774,614
Net pension liability - TRS	353,037
Net pension liability - ERS	<u>272,880</u>
Total long-term liabilities	<u>18,031,250</u>

TOTAL LIABILITIES

21,136,239

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS pension	168,633
Deferred inflows of resources - ERS pension	<u>44,769</u>
Total deferred inflows of resources	<u>213,402</u>

NET POSITION

Net investment in capital assets	11,275,542
Restricted	3,558,918
Unrestricted	<u>(12,478,324)</u>
TOTAL NET POSITION	<u>\$ 2,356,136</u>

GERMANTOWN CENTRAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 2,630,733	\$ -	\$ -	\$ (2,630,733)
Instruction	12,333,884	7,806	679,177	(11,646,901)
Pupil transportation	812,929	-	-	(812,929)
Debt service interest	122,073	-	-	(122,073)
School lunch program	<u>236,408</u>	<u>57,922</u>	<u>110,623</u>	<u>(67,863)</u>
TOTAL FUNCTIONS/PROGRAMS	<u>16,136,027</u>	<u>65,728</u>	<u>789,800</u>	<u>(15,280,499)</u>
GENERAL REVENUE:				
Real property taxes				8,447,385
Use of money and property				21,148
Sale of property and compensation for loss				5,961
Miscellaneous				355,872
State aid				5,370,546
Federal aid				<u>75,645</u>
TOTAL GENERAL REVENUE				<u>14,276,557</u>
CHANGE IN NET POSITION				(1,003,942)
NET POSITION - beginning of year				<u>3,360,078</u>
TOTAL NET POSITION - end of year				<u>\$ 2,356,136</u>

The accompanying notes are an integral part of these statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Governmental Fund Types					Total Governmental Funds
	General	Special Revenue Funds		Capital Projects	Debt Service	
		Special Aid	School Lunch			
ASSETS						
Cash - Unrestricted	\$ 1,492,885	\$ 665	\$ 17,170	\$ -	\$ -	\$ 1,510,720
Cash - Restricted	3,330,073	-	-	1,630,800	37,216	4,998,089
Accounts receivable	6,433	-	5,038	-	-	11,471
Due from other funds	585,308	-	-	-	35,829	621,137
State and federal aid receivable	327,428	583,227	-	-	-	910,655
Inventory	-	-	5,803	-	-	5,803
TOTAL ASSETS	\$ 5,742,127	\$ 583,892	\$ 28,011	\$ 1,630,800	\$ 73,045	\$ 8,057,875
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 89,151	\$ 1,808	\$ -	\$ -	\$ -	\$ 90,959
Unearned revenue	721	13,641	2,161	-	-	16,523
Due to other funds	32,027	567,133	18,334	-	-	617,494
Due to other governments	-	-	307	-	-	307
Due to Teachers' Retirement System	663,680	-	-	-	-	663,680
Due to Employees' Retirement System	31,348	-	-	-	-	31,348
Bond anticipation note payable	-	-	-	1,475,000	-	1,475,000
TOTAL LIABILITIES	\$ 816,927	\$ 582,582	\$ 20,802	\$ 1,475,000	\$ -	\$ 2,895,311

(Continued)

GERMANTOWN CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017

	Governmental Fund Types					Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
FUND BALANCE:						
Nonspendable						
Inventory	\$ -	\$ -	\$ 5,803	\$ -	\$ -	\$ 5,803
Total nonspendable fund balance	-	-	5,803	-	-	5,803
Restricted						
Repairs	400,000	-	-	-	-	400,000
Employee benefits	320,000	-	-	-	-	320,000
Retirement contributions	1,564,273	-	-	-	-	1,564,273
Tax certiorari	20,000	-	-	-	-	20,000
Unemployment	398,600	-	-	-	-	398,600
Workers compensation	627,200	-	-	-	-	627,200
Debt service	-	-	-	-	73,045	73,045
Capital projects	-	-	-	155,800	-	155,800
Total restricted fund balance	<u>3,330,073</u>	-	-	<u>155,800</u>	<u>73,045</u>	<u>3,558,918</u>
Assigned						
Unappropriated	202,904	1,310	1,406	-	-	205,620
Appropriated for subsequent year's expenditures	800,600	-	-	-	-	800,600
Total assigned fund balance	<u>1,003,504</u>	<u>1,310</u>	<u>1,406</u>	-	-	<u>1,006,220</u>
Unassigned	<u>591,623</u>	-	-	-	-	<u>591,623</u>
TOTAL FUND BALANCE	<u>4,925,200</u>	<u>1,310</u>	<u>7,209</u>	<u>155,800</u>	<u>73,045</u>	<u>5,162,564</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,742,127</u>	<u>\$ 583,892</u>	<u>\$ 28,011</u>	<u>\$ 1,630,800</u>	<u>\$ 73,045</u>	<u>\$ 8,057,875</u>

The accompanying notes are an integral part of these statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION JUNE 30, 2017

Total governmental fund balance	\$ 5,162,564
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	12,559,780
Deferred amounts of debt refunding is considered a deferred outflow of resources under full accrual accounting	20,044
Bonds payable are recognized as a liability under full accrual accounting	(1,150,000)
Compensated absences are recognized as a liability under full accrual accounting	(305,719)
GASB 68 related government wide activity:	
Deferred outflows of resources	3,685,572
Net pension liability - TRS	(353,037)
Net pension liability - ERS	(272,880)
Deferred inflows of resources	(213,402)
Other postemployment benefits are recognized as a liability under full accrual accounting	(16,774,614)
Interest payable at June 30, 2017, in the government-wide statements under full accrual accounting	<u>(2,172)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,356,136</u>

The accompanying notes are an integral part of these statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
REVENUE:						
Real property taxes	\$ 8,447,385	\$ -	\$ -	\$ -	\$ -	\$ 8,447,385
Charges for services	7,806	-	57,922	-	-	65,728
Use of money and property	18,206	-	-	2,870	72	21,148
Sale of property and compensation for loss	5,961	-	-	-	-	5,961
Miscellaneous	355,872	-	-	-	-	355,872
State aid	5,370,546	336,585	3,823	-	-	5,710,954
Federal aid	75,645	342,592	106,800	-	-	525,037
Total revenue	14,281,421	679,177	168,545	2,870	72	15,132,085
EXPENDITURES:						
General support	1,375,870	-	-	-	-	1,375,870
Instruction	6,613,224	685,590	-	-	-	7,298,814
Pupil transportation	792,331	3,155	-	-	-	795,486
Employee benefits	3,709,797	-	28,759	-	-	3,738,556
Debt service - Interest	103,660	-	-	-	-	103,660
Debt service - Principal	820,000	-	-	-	-	820,000
Cost of sales	-	-	160,158	-	-	160,158
Capital outlay	-	-	-	585,660	-	585,660
Total expenditures	13,414,882	688,745	188,917	585,660	-	14,878,204
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	866,539	(9,568)	(20,372)	(582,790)	72	253,881
OTHER FINANCING SOURCES AND (USES):						
Operating transfers in	-	9,568	10,000	97,828	-	117,396
Operating transfers (out)	(117,396)	-	-	-	-	(117,396)
Total other financing sources (uses)	(117,396)	9,568	10,000	97,828	-	-
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	749,143	-	(10,372)	(484,962)	72	253,881
FUND BALANCE - beginning of year	4,176,057	1,310	17,581	640,762	72,973	4,908,683
FUND BALANCE - end of year	\$ 4,925,200	\$ 1,310	\$ 7,209	\$ 155,800	\$ 73,045	\$ 5,162,564

The accompanying notes are an integral part of these statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balance - Total governmental funds	\$ 253,881
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position.	738,338
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(446,890)
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.	820,000
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	(2,470,618)
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.	
Change in accrued interest and amortization of deferred amount on bond refunding	(18,413)
Change in compensated absences	73,143
Pension revenue resulting from the GASB 68 related actuary reporting is not recorded as revenue in the government funds but is recorded in the statement of activities	<u>46,617</u>
Change in in net position - Governmental activities	<u>\$ (1,003,942)</u>

-

The accompanying notes are an integral part of these statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS:		
Cash	\$ 30,976	\$ -
Restricted cash	36,805	178,495
Due from other funds	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 67,781</u>	 <u>\$ 178,495</u>
LIABILITIES:		
Due to governmental funds	\$ 3,643	\$ -
Other liabilities	27,333	-
Extraclassroom activity balances	<u>36,805</u>	<u>-</u>
 Total liabilities	 <u>\$ 67,781</u>	 <u>\$ -</u>
NET POSITION:		
Reserved for employee benefits		\$ -
Reserved for scholarships		<u>178,495</u>
 Total net position		 <u>\$ 178,495</u>

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Gifts and contributions	\$ 51,325
Investment earnings	<u>242</u>
 Total additions	 <u>51,567</u>
DEDUCTIONS:	
Scholarships and awards	<u>4,375</u>
 Total deductions	 <u>4,375</u>
 Change in net position	 47,192
NET POSITION - beginning of year	<u>131,303</u>
NET POSITION - end of year	<u>\$ 178,495</u>

The accompanying notes are an integral part of these statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Germantown Central School District provides K-12 public education to students living within its geographic borders.

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

Significant accounting principles and policies utilized by the School District are described below.

Reporting Entity

The Germantown Central School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education. The President of the Board of Education serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. The Board of Education has the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

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

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)). In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

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 the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

Basis of Presentation

The School District's financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

Government-wide Statements

The statement of net position and the statement of activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital), grants, while the capital grants column reflects capital-specific grants, if any.

The statement of activities presents a comparison between program expenses and revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

The accounts of the School District are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The governmental funds used by the School District are as follows:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue funds:

- **Special Aid Fund:** This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for specified purposes (e.g. special education) and other activities whose funds are restricted as to use.
- **School Lunch Fund:** Used to account for transactions of the School District's lunch and breakfast programs.

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.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds because their resources do not belong to the School District and are not available to be used.

There are two classes of fiduciary funds:

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

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

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

Cash

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

New York State law governs the School District's investment policies. Resources must be deposited in 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.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of June 30, 2017 consists of the following:

General fund:	
Cash on deposit for reserves:	
Repairs	\$ 400,000
Employee benefits	320,000
Retirement contributions	1,564,273
Tax certiorari	20,000
Unemployment	398,600
Workers Compensation	<u>627,200</u>
Total general fund restricted cash	<u>\$ 3,330,073</u>
Capital projects fund:	
Cash on deposit for capital projects	<u>\$ 1,630,800</u>
Debt service fund:	
Cash on deposit for debt service	<u>\$ 37,216</u>
Trust and agency fund:	
Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 215,300</u>

State and Federal Receivable

The School District has state and federal receivables comprised of amounts at year end owed from the state or federal governments for amounts expended on grants programs. This balance is shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories and Prepaid Expenditures

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

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

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the governmental funds, leaving 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 School District's practice to settle these amounts at a net balance based upon the right of legal offset.

Capital Assets, Net

Capital assets, net are reflected in the government-wide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals, net of accumulated depreciation. Donated assets are reported at estimated fair value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 500	SL	20
Building and improvements	\$ 1,000	SL	25
Furniture and equipment	\$ 500	SL	5-15

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

Short-Term Debt

The School District may issue revenue and/or 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Debt (Continued)

The School 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 (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be paid or converted to long-term financing within five years after the original issue date.

Vested Employee Benefits

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.

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

In the funds statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expended on a pay-as-you go basis.

Other Benefits

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

Other Postemployment Benefits

In addition to providing the pension benefits, the School District provides other postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure. At the fund level, the School District recognized the current cost of providing benefits for June 30, 2017 by recording \$1,105,981, which is its share of insurance premiums for approximately 56 currently enrolled retirees, as an expenditure for the current year.

Property Taxes

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Property Taxes (Continued)

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

Accrued Liabilities and Long-Term Obligations

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

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

Long-term obligations represent the School 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.

Unearned Revenue

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

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 90 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year rather than when measurable and available.

Unearned revenue recorded in governmental funds is generally not recorded in the Government-wide statements.

Restricted Resources

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

Net Position and Fund Balance Classifications

Government-wide Statements

In the Government-wide statements, there are three classes of net position:

Net investment in capital assets - consists of net capital assets, (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position and Fund Balance Classifications (Continued)
Government-wide Statements (Continued)

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.

Restricted net position includes the following:

Repairs	\$	400,000
Employee benefits		320,000
Retirement contributions		1,564,273
Tax certiorari		20,000
Unemployment		398,600
Workers compensation		627,200
Debt service		73,045
Capital projects		<u>155,800</u>
	\$	<u>3,558,918</u>

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 School District.

Governmental Fund Statements

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

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact.

Restricted fund balance – 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. The School District has available the following restricted fund balance:

Capital

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

Repair

Repair reserve (GML §6-d) 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, (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

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

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the general fund under restricted fund balance.

Insurance

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

Liability Claims and Property Loss

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Tax Certiorari

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

Employee Benefit and Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Encumbrances

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

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2017.

Assigned fund balance – 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 unappropriated in the assigned fund balance in the general fund. As of June 30, 2017, the School District's General Fund encumbrances were classified as follows:

General support	\$	99,717
Instruction		64,487
Transportation		<u>38,700</u>
Total encumbrances	\$	<u><u>202,904</u></u>

Unassigned fund balance - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

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

Order of Fund Balance Spending Policy

The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance. In a special revenue fund, if a fund deficit exists, it must be reported in the unassigned classification.

Explanation of certain differences between Governmental Fund Statements and Government-wide Statements

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

Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

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

Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities (Continued)

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.

Stewardship, Compliance, and Accountability

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures, (and encumbrances), that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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.

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 previous year.

The budget and actual comparison in the Schedule of Revenues and Expenditures-Budget and Actual, reflects budgeted and actual amounts for the General Fund which is a legally authorized (appropriated) budget.

Special aid fund and school lunch fund have not been included in the comparison because they do not have legally authorized budgets.

Newly Adopted Accounting Standards

The School District adopted GASB Statement *No. 77 Tax Abatement Disclosures* for the year ended June 30, 2017. This Statement was issued in September 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements.

2. CASH

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 6,889,188	\$ 6,755,085
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 6,639,188	
Covered by FDIC insurance	<u>250,000</u>	
Total	<u>\$ 6,889,188</u>	

3. CAPITAL ASSETS, NET

Capital assets, net as of year ended June 30, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 89,100	\$ -	\$ -	\$ 89,100
Construction in progress	<u>245,536</u>	<u>697,240</u>	-	<u>942,776</u>
Total nondepreciable cost	<u>334,636</u>	<u>697,240</u>	-	<u>1,031,876</u>
Capital assets that are depreciated:				
Buildings and improvements	18,943,389	36,681	-	18,980,070
Machinery and Equipment	1,392,683	4,417	-	1,397,100
Vehicles	<u>22,324</u>	-	-	<u>22,324</u>
Total depreciable historical cost	<u>20,358,396</u>	<u>41,098</u>	-	<u>20,399,494</u>
Less accumulated depreciation:				
Buildings and improvements	7,385,600	363,780	-	7,749,380
Machinery and Equipment	1,016,778	83,110	-	1,099,888
Vehicles	<u>22,322</u>	-	-	<u>22,322</u>
Total accumulated depreciation	<u>8,424,700</u>	<u>446,890</u>	-	<u>8,871,590</u>
Total depreciable cost, net	<u>11,933,696</u>	<u>(405,792)</u>	-	<u>11,527,904</u>
Total capital assets, net	<u>\$ 12,022,796</u>	<u>\$ (405,792)</u>	<u>\$ -</u>	<u>\$ 12,559,780</u>

3. CAPITAL ASSETS, NET (Continued)

Depreciation expense for the year ended June 30, 2017, was allocated to specific functions as follows:

General support	\$	61,716
Instruction		355,859
Pupil transportation		21,585
School Lunch		<u>7,730</u>
Total	\$	<u>446,890</u>

4. PARTICIPATION IN BOCES

During the year, the School District was billed \$847,083 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$271,391.

5. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Bond Anticipation Note	06/30/2017	1.63%	\$ 700,000	\$ -	\$ 700,000	\$ -
Bond Anticipation Note	06/29/2018	1.44%	-	1,475,000	-	1,475,000
			<u>\$ 700,000</u>	<u>\$ 1,475,000</u>	<u>\$ 700,000</u>	<u>\$ 1,475,000</u>

6. LONG-TERM DEBT

Interest on debt for the year was composed of:

Interest paid - long-term debt	\$	92,250
Interest paid - short-term debt		11,410
Less interest accrued in the prior year		(3,802)
Plus interest accrued in the current year		2,172
Plus amortization of deferred amount on bond refunding		<u>20,043</u>
Total expense	\$	<u>122,073</u>

6. LONG-TERM DEBT (Continued)

Long-term liability balances and activity for the year ended June 30, 2017, are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
General obligation debt:					
Bonds payable	\$ 1,970,000	\$ -	\$ 820,000	\$ 1,150,000	\$ 825,000
Other long-term debt:					
Compensated absences	378,862	- (A)	73,143	305,719	-
Other postemployment benefits	14,303,996	3,576,599	1,105,981	16,774,614	-
Net pension liability - TRS	-	353,037	-	353,037	-
Net pension liability - ERS	411,883	-	139,003	272,880	-
Total long-term liabilities	<u>\$ 17,064,741</u>	<u>\$ 3,929,636</u>	<u>\$ 2,138,127</u>	<u>\$ 18,856,250</u>	<u>\$ 825,000</u>

(A) Additions and deletions to compensated absences and net pension liability are shown net because it is impractical to determine these amounts separately.

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Original Issue Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2017 Balance</u>
Construction Bond	2005	\$ 1,900,000	2020	3.50 - 4.00%	\$ 480,000
Refunding Bond	2005	9,435,000	2018	3.25 - 5.00%	670,000
					<u>\$ 1,150,000</u>

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	825,000	92,250	917,250
2019	160,000	52,700	212,700
2020	165,000	13,000	178,000
	<u>\$ 1,150,000</u>	<u>\$ 157,950</u>	<u>\$ 1,307,950</u>

The deferred amount on bond refunding is required to be amortized. The remaining amortization is as follows:

Fiscal Year Ending June 30, 2017	\$ 20,044
	<u>\$ 20,044</u>

7. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditures
General fund	\$ 585,308	\$ 32,027	\$ -	\$ 117,396
Special aid fund	-	567,133	9,568	-
School lunch fund	-	18,334	10,000	-
Capital projects fund	-	-	97,828	-
Debt service fund	35,829	-	-	-
Fiduciary funds	-	3,643	-	-
Totals	<u>\$ 621,137</u>	<u>\$ 621,137</u>	<u>\$ 117,396</u>	<u>\$ 117,396</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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

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

8. PENSION PLANS

New York State Employees' Retirement System

The School District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th, 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 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, 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.

8. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Contributions (Continued)

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

2017	\$	123,073
2016	\$	125,050
2015	\$	136,262

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

At June 30, 2017, the School District reported a net pension liability of \$272,880 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the School District's proportionate share was .0029042%, which was an increase of .0003380% from its proportionate share measured at June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$162,791. At June 30, 2017, the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,838	\$ 41,439
Changes of Assumptions	93,226	-
Net difference between projected and actual earnings on pension plan investments	54,505	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	29,545	3,330
Contributions subsequent to the measurement date	31,348	-
	<u>\$ 215,462</u>	<u>\$ 44,769</u>

\$31,348 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

8. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

Plan's Year Ended March 31:		
2018	\$	59,664
2019		59,664
2020		52,234
2021		(32,216)
2022		-
Thereafter		-
	\$	<u>139,346</u>

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

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

8. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Long Term Expected Rate of Return

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real Estate	10.0%	5.80%
Absolute Return Strategies	2.0%	4.00%
Opportunistic Portfolio	3.0%	5.89%
Real Assets	3.0%	5.54%
Bonds and Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation-indexed Bonds	4.0%	1.50%
	<u>100%</u>	

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

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

	<u>1 % Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 871,527	\$ 272,881	\$ (233,274)

8. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 177,400,586,000	\$ 5,152,068	0.0029042%
Net position	(168,004,363,000)	(4,879,187)	0.0029042%
Net pension liability (asset)	<u>\$ 9,396,223,000</u>	<u>\$ 272,881</u>	0.0029042%
Fiduciary net position as a percentage of total pension liability	94.70%	94.70%	

New York State Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

8. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Contributions (Continued)

The School District is required to contribute at an actuarially determined rate. The School District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2017	\$	674,454
2016	\$	861,950
2015	\$	690,192

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

At June 30, 2017, the School District reported a net pension liability of \$353,037 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2015. The School District's proportion of the net pension asset was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the School District's proportionate share was 0.032962%, which was an increase of .000229% from its proportionate share measured at June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$509,448. At June 30, 2017 the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 114,686
Changes of Assumptions	2,011,126	-
Net difference between projected and actual earnings on pension plan investments	793,814	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,490	53,947
Contributions subsequent to the measurement date	663,680	-
	<u>\$ 3,470,110</u>	<u>\$ 168,633</u>

8. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$663,680 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

Plan's Year Ended June 30:		
2017	\$	238,115
2018		238,115
2019		854,613
2020		662,802
2021		299,958
Thereafter		344,194
	\$	<u>2,637,797</u>

Actuarial Assumptions

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016.

These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.50% compounded annually
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2015 valuation was based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

8. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-term expected real rate of return in %</u>
Domestic Equity	37.0	6.10%
International Equity	18.0	7.30%
Real Estate	10.0	5.40%
Private Equities	7.0	9.20%
Domestic Fixed Income Securities	17.0	1.00%
Global Fixed Income Securities	2.0	0.80%
Mortgages	8.0	3.10%
Short-term	1.0	0.10%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 7.5%, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

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

	<u>1 % Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 4,606,176	\$ 353,037	\$ (3,214,272)

8. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2016, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 108,577,184,039	\$ 35,789,211	0.0329620%
Net position	(107,506,142,099)	(35,436,175)	0.0329620%
Net pension liability (asset)	<u>\$ 1,071,041,940</u>	<u>\$ 353,037</u>	0.0329620%
Fiduciary net position as a percentage of total pension liability	99.01%	99.01%	

9. OTHER POSTEMPLOYMENT BENEFITS

The School District provides medical, Medicare B, and dental coverage as postemployment benefits to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. The School District purchases its health insurance through a consortium, the Rensselaer Columbia Greene Counties Health Insurance Trust (RCG). Benefits provided by RCG are by three different providers and the RCG plan covers medical and pharmaceutical costs. Many of the services require co-payments at various levels depending on the nature of the service. Refer to the plan documents for specifics.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years.

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the School District's net OPEB obligation:

Annual required contribution	\$ 3,495,919
Interest on net OPEB obligation	440,136
Adjustment to ARC	<u>(359,456)</u>
Annual OPEB cost	3,576,599
Contributions made	<u>1,105,981</u>
Increase in net OPEB obligation	2,470,618
Net OPEB obligation - beginning of year	<u>14,303,996</u>
Net OPEB obligation - end of year	<u>\$ 16,774,614</u>
Percentage of annual OPEB cost contributed	31%

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Trend information – The School District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/2017	\$ 3,576,599	\$ 3,495,919	31%	\$ 16,774,614
6/30/2016	\$ 3,473,239	\$ 3,666,459	38%	\$ 14,303,996
6/30/2015	\$ 3,305,452	\$ 3,371,676	35%	\$ 12,138,250

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	3.0%
Medical care cost trend rate	7.5% initially. The rate is reduced by decrements of .5% per year to an ultimate rate of 4.5% by 2022.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the School District’s investment assets are low risk in nature, such as money market funds or certificates of deposit.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in recent years.

11. CONTINGENCIES AND COMMITMENTS

Grants

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

Litigation

There are currently pending certiorari proceedings, the result of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time.

12. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – a replacement of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early adoption encouraged.

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2020, with early adoption encouraged.

In March 2017, GASB issued Statement No. 85, Omnibus 2017. The objective of this statement is to address practice issues identified in the implementation and application of certain GASB Statements affecting including but not limited to pensions and other postemployment benefits. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early adoption encouraged.

12. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED (Continued)

In June 2017, GASB issue Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

The School District has not assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

GERMANTOWN CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUE					
LOCAL SOURCES:					
Real property taxes	\$ 8,444,517	\$ 8,444,517	\$ 8,447,385	\$ -	\$ 2,868
Charges for services	-	-	7,806	-	7,806
Use of money and property	17,000	17,000	18,206	-	1,206
Sale of property and compensation for loss	-	-	5,961	-	5,961
Miscellaneous	<u>374,112</u>	<u>513,481</u>	<u>355,872</u>	<u>-</u>	<u>(157,609)</u>
Total local sources	8,835,629	8,974,998	8,835,230	-	(139,768)
State aid	5,108,581	5,124,081	5,370,546	-	246,465
Federal aid	<u>40,000</u>	<u>40,000</u>	<u>75,645</u>	<u>-</u>	<u>35,645</u>
Total revenue	<u>\$ 13,984,210</u>	<u>\$ 14,139,079</u>	<u>\$ 14,281,421</u>	<u>\$ -</u>	<u>\$ 142,342</u>

(Continued)

GERMANTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 10,100	\$ 10,100	\$ 6,370	\$ -	\$ 3,730
Central administration	226,950	227,836	218,299	75	9,462
Finance	199,150	212,237	194,769	2,305	15,163
Staff	52,500	68,014	52,693	5,000	10,321
Central services	1,025,200	1,119,163	801,277	92,337	225,549
Special items	205,300	133,011	102,462	-	30,549
Total general support	<u>1,719,200</u>	<u>1,770,361</u>	<u>1,375,870</u>	<u>99,717</u>	<u>294,774</u>
INSTRUCTION:					
Instruction, administration, and improvement	450,650	494,134	477,519	66	16,549
Teaching - Regular school	3,646,200	3,758,744	3,547,223	29,238	182,283
Programs for children with handicapping conditions	2,100,860	2,033,939	1,729,837	13,810	290,292
Occupational education	335,600	335,600	252,751	-	82,849
Instructional media	249,100	269,668	221,976	21,183	26,509
Pupil services	417,850	434,802	383,918	190	50,694
Total instruction	<u>7,200,260</u>	<u>7,326,887</u>	<u>6,613,224</u>	<u>64,487</u>	<u>649,176</u>
Pupil transportation	887,700	900,365	792,331	38,700	69,334
Employee benefits	3,995,400	3,995,400	3,709,797	-	285,603
Debt service - Principal	820,000	820,000	820,000	-	-
Debt service - Interest	132,250	132,250	103,660	-	28,590
Total expenditures	<u>14,754,810</u>	<u>14,945,263</u>	<u>13,414,882</u>	<u>202,904</u>	<u>1,327,477</u>
OTHER FINANCING USES					
Operating transfers out	30,000	127,828	117,396	-	10,432
Total expenditures and other uses	<u>14,784,810</u>	<u>15,073,091</u>	<u>13,532,278</u>	<u>202,904</u>	<u>1,337,909</u>
NET CHANGE IN FUND BALANCE	(800,600)	(934,012)	749,143	(202,904)	1,480,251
FUND BALANCE - beginning of year	<u>4,176,057</u>	<u>4,176,057</u>	<u>4,176,057</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 3,375,457</u>	<u>\$ 3,242,045</u>	<u>\$ 4,925,200</u>	<u>\$ (202,904)</u>	<u>\$ 1,480,251</u>

GERMANTOWN CENTRAL SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFIT PLAN (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Funded Ratio</u>	<u>Estimated Covered Payroll</u>	<u>UAAL as a percentage of Covered Payroll</u>
7/1/2016	\$ -	\$ 43,589,392	0%	\$ 5,361,993	813%
7/1/2013	\$ -	\$ 32,601,418	0%	\$ 4,857,012	671%
7/1/2011	\$ -	\$ 25,905,290	0%	\$ 4,986,540	520%

Germantown Central School District

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0029042%	0.0025662%	0.0027731%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.						
Proportionate share of the net pension liability (asset)	\$ 272.9	\$ 411.9	\$ 93.7							
Covered-employee payroll	\$ 874.8	\$ 856.6	\$ 760.3							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.19%	48.09%	12.32%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.68%	97.95%							

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.032962%	0.032733%	0.031261%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.						
Proportionate share of the net pension liability (asset)	\$ 353.0	\$ (3,400.0)	\$ (3,482.2)							
Covered-employee payroll	\$ 5,086.4	\$ 4,917.0	\$ 4,732.6							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.94%	-69.15%	-73.58%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	110.46%	111.48%							

Germantown Central School District

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 123.1	\$ 124.1	\$ 125.1							
Contributions in relation to the contractually required contribution	<u>123.1</u>	<u>124.1</u>	<u>125.1</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 874.8	\$ 856.6	\$ 760.3							
Contributions as a percentage of covered-employee payroll	14.07%	14.49%	16.45%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 674.5	\$ 862.0	\$ 690.2							
Contributions in relation to the contractually required contribution	<u>674.5</u>	<u>862.0</u>	<u>690.2</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 5,086.4	\$ 4,917.0	\$ 4,732.6							
Contributions as a percentage of covered-employee payroll	13.26%	17.53%	14.58%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTARY INFORMATION (UNAUDITED)

GERMANTOWN CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 14,651,396
Add: Prior year's encumbrances	<u>133,414</u>
Original budget	14,784,810
Budget revision:	
General support	(13,177)
Instruction	71,091
Pupil transportation	(875)
Operating transfers out	<u>97,828</u>
Final budget	<u>\$ 14,939,677</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	\$ 14,790,612
Maximum allowed (4% of 2016-17 budget)	591,624
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:	
Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	1,003,504
Unassigned fund balance	<u>591,623</u>
Total unrestricted fund balance	\$ 1,595,127
Less:	
Appropriated fund balance	\$ 800,600
Encumbrances included in committed and assigned fund balance	<u>202,904</u>
Total adjustments	<u>\$ 1,003,504</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 591,623</u>
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.

GERMANTOWN CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Capital Exception 2015	\$ 100,000	\$ 100,000	\$ 34,788	\$ 46,710	\$ 81,498	\$ 18,502
\$11.3M Capital Project	11,385,056	11,382,056	254,049	443,191	697,240	10,684,816
Smart Bond	<u>97,828</u>	<u>97,828</u>	<u>-</u>	<u>95,759</u>	<u>95,759</u>	<u>2,069</u>
Total	<u>\$ 11,582,884</u>	<u>\$ 11,579,884</u>	<u>\$ 288,837</u>	<u>\$ 585,660</u>	<u>\$ 874,497</u>	<u>\$ 10,705,387</u>

See independent auditors report

GERMANTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2017

Capital assets, net	\$ 12,559,780
Deduct:	
Bonds payable	1,150,000
Bond anticipation notes related to capital assets	1,475,000
Plus:	
Unspent bond proceeds	<u>1,340,762</u>
Net investment in capital assets	<u>\$ 11,275,542</u>

REQUIRED REPORT

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

October 11, 2017

To the Board of Education of
Germantown Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Germantown Central School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 preceding paragraph 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.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

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 (Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GERMANTOWN CENTRAL SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Section I—Summary of Auditor’s Results

Financial Statements

Type of independent auditor’s report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified

Yes No

Significant deficiencies identified not considered to be material weaknesses?

Yes No

Noncompliance material to financial statements noted?

Yes No

Section II—Financial Statement Findings

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under *Government Auditing Standards*.

Section III—Status of Prior year Findings

2016-001 Noncompliance with New York State Real Property Tax Law

Condition: The School District's unrestricted fund balance exceeds the 4% allowable limit.

Status: The School District reduced unrestricted fund balance to the allowable limit and is now in compliance with the New York State Property Tax Law.