

**SCHALMONT CENTRAL SCHOOL DISTRICT
AT ROTTERDAM
FINANCIAL REPORT
JUNE 30, 2017**

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM

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INDEPENDENT AUDITOR'S REPORT

To the President and Members of the Board of Education of the
Schalmont Central School District at Rotterdam

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 and each major fund of the Schalmont Central School District at Rotterdam, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Correction of Error

As discussed in Note 1.Z to the financial statements, management discovered that amounts reported as expenditures in the general fund and revenues in the capital projects fund in prior years were overstated. Accordingly, an adjustment has been made to fund equity in both funds at July 1, 2016. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 - A6, budgetary comparison information on pages C1 and C2, schedule of funding progress for the retiree health plan on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of district contributions on page C5 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.

Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schalmont Central School District at Rotterdam's basic financial statements. The supplemental schedules on pages D1 - D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

These supplemental schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the 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 District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

October 10, 2017

SCHALMONT CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2017

The following discussion and analysis of the Schalmont Central School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2017. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. We encourage readers to consider the information presented here, in conjunction with information provided in the financial statements.

Financial Highlights

- The District's financial status remained fairly consistent during the 2016-2017 school year. Total net position increased by \$1,811,677 over the course of the year.
- Overall general fund revenues were \$46 million, approximately \$1.2 million more than expenses.

Overview of the Financial Statements

The District's annual report consists of five parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, supplemental information and the single audit section. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information and supplemental schedules that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

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

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

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. retirement system liabilities and earned but unused vacation leave).

The District-wide financial statements can be found on pages B1 and B2 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9.6 million at the close of the most recent fiscal year.

Net position (in thousands of dollars)

| <u>Governmental Activities</u> | <u>6/30/17</u> | <u>6/30/16</u> |
|-------------------------------------|------------------|------------------|
| Current and other assets | \$ 16,690 | \$ 14,821 |
| Capital assets | 21,680 | 21,677 |
| Net pension asset | - | 10,192 |
| Total assets | \$ 38,370 | \$ 46,690 |
| Deferred Outflows of Resources | \$ 12,110 | \$ 5,206 |
| Long-term liabilities | \$ 36,307 | \$ 36,389 |
| Other liabilities | 3,736 | 3,842 |
| Total liabilities | \$ 40,043 | \$ 40,231 |
| Deferred Inflows of Resources | \$ 782 | \$ 3,822 |
| Net position | | |
| Net investment in capital assets | \$ 10,669 | \$ 8,712 |
| Restricted | 5,520 | 4,959 |
| Unrestricted | (6,534) | (5,828) |
| Total Net position (Deficit) | \$ 9,655 | \$ 7,843 |

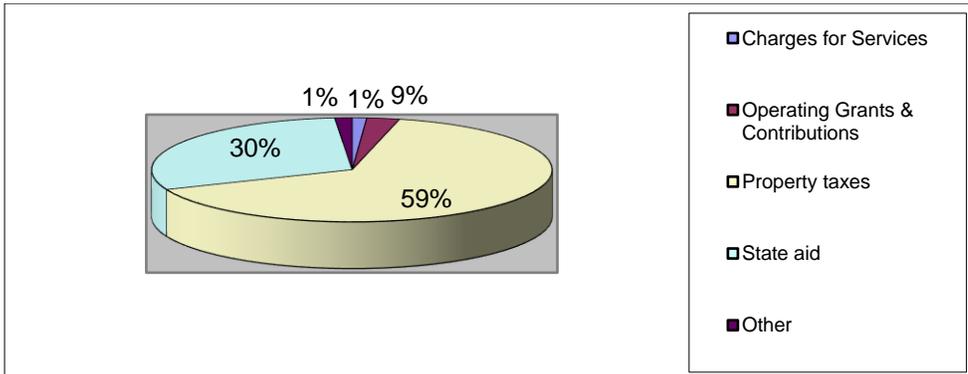
The District has earmarked funds for the following purposes:

- *Appropriated fund equity of \$956,236.* The District has designated this portion for the subsequent year to reduce the tax levy and for health and safety related matters.
- *Reserve for encumbrances of \$169,217.* Net position within the General fund is reserved to pay for commitments at June 30 that will be reappropriated during the subsequent fiscal year.
- *Tax Certiorari Reserve \$283,983.* The District has set aside funds to pay for future potential certiorari claims.
- *Reserve for Employee Benefit Accrued Liabilities of \$1,851,257.* The District will use these funds to pay accrued employee benefits due upon termination of the employee's service.
- *Reserve for Retirement Contributions of \$2,352,058.* The District will use these funds to finance retirement contributions.
- *Reserve for Unemployment Insurance of \$300,000.* The District will use the funds to pay for unemployment claims.
- *Reserve for Debt of \$732,795.* The District will use the funds to pay down the related debt.

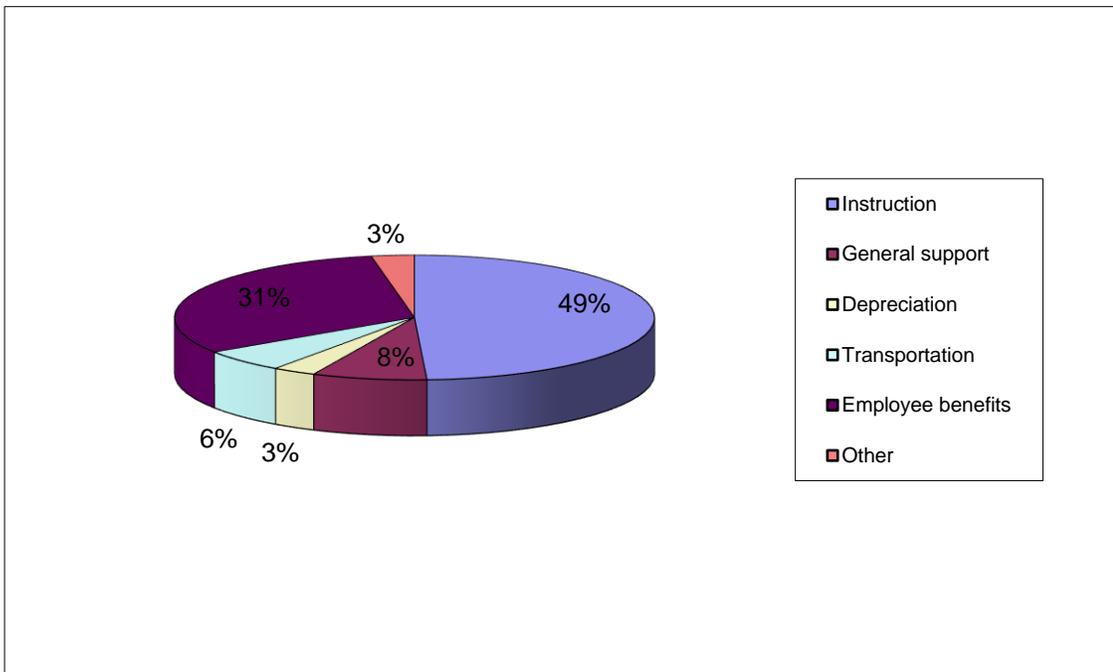
Statement of Activities (in thousands of dollars)

| Revenues | <u>2017</u> | <u>2016</u> |
|----------------------------------|------------------|------------------|
| Program revenues | | |
| Charges for services | \$ 561 | \$ 460 |
| Operating Grants & Contributions | 1,264 | 1,173 |
| General revenues | | |
| Property taxes | 27,688 | 27,643 |
| State aid | 14,349 | 13,366 |
| Other | 4,164 | 4,017 |
| Special items | - | (713) |
| Total Revenues | <u>\$ 48,026</u> | <u>\$ 45,946</u> |
| | | |
| Expenses | | |
| Instruction | \$ 22,715 | \$ 22,824 |
| General support | 3,562 | 418 |
| Debt service | 612 | 684 |
| Transportation | 2,696 | 2,712 |
| Employee benefits | 14,539 | 11,161 |
| Other | 2,090 | 1,893 |
| Total Expenses | <u>\$ 46,214</u> | <u>\$ 39,692</u> |
| | | |
| Increase in net position | <u>\$ 1,812</u> | <u>\$ 6,254</u> |

Sources of Revenues for Fiscal Year 2017



Expenses for Fiscal Year 2017



Financial Analysis of The District's Funds

As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General fund is the chief operating fund of the District. At the end of the fiscal year, cash totaled \$12.4 million, comprising 88% of total assets for the General Fund. \$5.5 million of this amount is held to fund reserves established by the District with the balance available to pay current liabilities.

General Fund Budgetary Highlights

During the year final revenues were over the revised budgetary estimates by \$.975 million, primarily due to interfund transfers, charges for services and sale of property. Expenditures and encumbrances were under revised budgetary estimates by \$2.841 million or 5.9%, the majority of which was due to general support, instruction, pupil transportation and employee benefits.

Capital Asset and Debt Administration

Capital Assets

By the end of 2017, the District had invested \$21.6 million, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$1.3 million, and building improvements and additions to equipment and furniture amounted to \$1.6 million and disposals \$.87 million.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2017 and 2016:

| | <u>6/30/17</u> | <u>6/30/16</u> |
|---|----------------------|----------------------|
| Land | \$ 998,700 | \$ 925,800 |
| Buildings | 17,196,909 | 17,638,920 |
| Furniture and equipment | 1,399,401 | 1,081,768 |
| Land/site improvements | 428,833 | 493,024 |
| Licensed vehicles | 1,655,973 | 1,537,951 |
| Total Capital Assets, Net of Depreciation | <u>\$ 21,679,816</u> | <u>\$ 21,677,463</u> |

Long-Term Debt

At June 30, 2017, the District had \$36.3 million in general obligation bonds and other long-term debt outstanding, which is consistent with last year. (More detailed information about the District's long-term liabilities is presented in Note 2.B.II. to the financial statements.)

The following summarizes long-term liabilities at June 30, 2017 and 2016:

| | <u>6/30/17</u> | <u>6/30/16</u> |
|--|----------------------|----------------------|
| Serial Bonds | \$ 12,170,804 | \$ 14,747,843 |
| Other Post Employment Benefits | 19,569,898 | 17,292,234 |
| Compensated Absences | 1,857,669 | 1,798,124 |
| Judgments and Claims | 283,983 | 207,446 |
| Net Pension Liability, Proportionate Share | <u>2,424,733</u> | <u>2,343,638</u> |
| Total Long-Term Liabilities | <u>\$ 36,307,087</u> | <u>\$ 36,389,285</u> |

Economic Factors and Next Year's Budgets and Rates

- The District has 10.73% in unappropriated Fund Equity although in years past the District has had an amount within or below the maximum 4% allowable under Section 1318 of the Real Property Tax Law. This occurrence of being over the 4% allowable is related to some remaining funds in the District's capital account that have produced some one time excesses that will be used to offset a remaining capital expense in the 2018-19 budget. The other funding was the result of some items coming in under budget such as employee benefits and transportation and may be used by the District to reduce the gap in the upcoming budget cycle. The District will also investigate the option of creating a capital reserve, while the District does not have any large tax certioraris currently outstanding. This would bring the unappropriated fund equity back down to the allowable percentage and will ensure the District's facilities remain in good working condition as we look forward to future capital projects. The BOE and the District's management team are committed to a continued balanced budget in uncertain fiscal times to State Aid funding and the Tax Levy Limit.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, contact the Business Office, Schalmont Central School District, at 4 Sabre Drive, Schenectady, New York 12306.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

| | |
|---|---------------|
| Current Assets: | |
| Cash | \$ 14,419,999 |
| Accounts Receivable | 152,986 |
| Due From Fiduciary Funds | 397,981 |
| State and Federal Aid Receivable | 1,241,921 |
| Due From Other Governments | 463,586 |
| Inventories | 13,678 |
| Capital Assets, net | 21,429,816 |
| Idle Impaired Capital Assets | 250,000 |
| Total Assets | 38,369,967 |
| | |
| Deferred Outflows of Resources | |
| Loss on Refunding | 510,818 |
| Pensions | 11,599,266 |
| Total Deferred Outflows of Resources | 12,110,084 |
| | |
| Total Assets and Deferred Outflows of Resources | \$ 50,480,051 |

LIABILITIES

| | |
|---|------------|
| Current Liabilities: | |
| Accounts Payable | \$ 120,583 |
| Accrued Liabilities | 179,410 |
| Bond Interest Accrued | 30,625 |
| Due to Other Governments | 28,597 |
| Due to Teachers' Retirement System | 1,884,128 |
| Due to Employees' Retirement System | 175,957 |
| Bond Anticipation Notes | 1,316,600 |
| Long-Term Liabilities - Due and Payable Within One Year | |
| Bonds | 2,470,000 |
| Long-Term Liabilities - Due and Payable After One Year | |
| Bonds | 9,190,000 |
| Unamortized Bond Premium | 510,804 |
| Compensated Absences | 1,857,669 |
| Judgments and Claims | 283,983 |
| Other Postemployment Benefits Payable | 19,569,898 |
| Net Pension Liability, Proportionate Share | 2,424,733 |
| Total Liabilities | 40,042,987 |
| | |
| Deferred Inflows of Resources | |
| Pensions | 781,909 |

NET POSITION

| | |
|--|---------------|
| Net Investment in Capital Assets | 10,668,813 |
| Restricted | 5,520,093 |
| Unrestricted | (6,533,751) |
| Total Net Position | 9,655,155 |
| | |
| Total Liabilities, Deferred Outflows of Resources, and Net Position | \$ 50,480,051 |

See accompanying notes to financial statements.

B1.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|---------------------------------|-----------------------------|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants</u> | |
| FUNCTIONS/PROGRAMS | | | | |
| General support | \$ 3,562,024 | \$ 5,440 | \$ - | \$ (3,556,584) |
| Instruction | 22,715,809 | 161,592 | 1,027,160 | (21,527,057) |
| Pupil transportation | 2,695,994 | - | - | (2,695,994) |
| Employee benefits | 14,539,059 | - | - | (14,539,059) |
| Debt service | 611,552 | - | - | (611,552) |
| Depreciation - (unallocated) | 1,351,423 | - | - | (1,351,423) |
| Capital Outlay | 177,838 | - | - | (177,838) |
| School lunch program | 561,256 | 394,045 | 237,167 | 69,956 |
| | <u>\$ 46,214,955</u> | <u>\$ 561,077</u> | <u>\$ 1,264,327</u> | <u>(44,389,551)</u> |
| GENERAL REVENUES | | | | |
| Real property taxes | | | | 27,688,167 |
| Other tax items | | | | 3,496,423 |
| Use of money and property | | | | 217,508 |
| Sale of property and compensation for loss | | | | 176,693 |
| State sources | | | | 14,348,614 |
| Federal sources | | | | 86,507 |
| Miscellaneous | | | | 187,316 |
| | | | | <u>46,201,228</u> |
| Total General Revenues and Special Items | | | | <u>46,201,228</u> |
| Change in Net Position | | | | 1,811,677 |
| Total Net Position - Beginning of Year | | | | <u>7,843,478</u> |
| Total Net Position - End of Year | | | | <u>\$ 9,655,155</u> |

See accompanying notes to financial statements.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

| | General Fund | Special Aid Fund | School Lunch Fund | Capital Projects Fund | Total Governmental Funds |
|-------------------------------------|----------------------|---------------------|-------------------------|-----------------------------|--------------------------------|
| Assets | | | | | |
| Unrestricted Cash | \$ 6,918,026 | \$ 711 | \$ 159,326 | \$ 321,843 | \$ 7,399,906 |
| Restricted Cash | 5,520,093 | - | - | 1,500,000 | 7,020,093 |
| State and Federal Receivable, net | 634,200 | 607,722 | (1) | - | 1,241,921 |
| Due From Other Governments | 463,586 | - | - | - | 463,586 |
| Due From Other Funds | 412,776 | - | - | 657,940 | 1,070,716 |
| Accounts Receivable | 136,826 | - | 16,160 | - | 152,986 |
| Inventories | - | - | 13,678 | - | 13,678 |
| | <u>\$ 14,085,507</u> | <u>\$ 608,433</u> | <u>\$ 189,163</u> | <u>\$ 2,479,783</u> | <u>\$ 17,362,886</u> |
| Liabilities | | | | | |
| Accounts Payable | \$ 110,021 | \$ 562 | \$ - | \$ 10,000 | \$ 120,583 |
| Accrued Liabilities | 174,616 | 4,794 | - | - | 179,410 |
| Due to Other Funds | - | 591,988 | 70,000 | 10,747 | 672,735 |
| Due to Other Governments | 27,079 | 996 | 522 | - | 28,597 |
| Due to Teachers' Retirement System | 1,884,128 | - | - | - | 1,884,128 |
| Due to Employees' Retirement System | 175,957 | - | - | - | 175,957 |
| Bond Anticipation Notes | - | - | - | 1,316,600 | 1,316,600 |
| | <u>2,371,801</u> | <u>598,340</u> | <u>70,522</u> | <u>1,337,347</u> | <u>4,378,010</u> |
| Fund Equity | | | | | |
| Fund Equity: | | | | | |
| Non-spendable | - | - | 13,678 | - | 13,678 |
| Restricted | 5,520,093 | - | - | - | 5,520,093 |
| Committed | - | - | - | - | - |
| Assigned | 1,125,453 | 10,093 | 104,963 | 1,142,436 | 2,382,945 |
| Unassigned | 5,068,160 | - | - | - | 5,068,160 |
| | <u>11,713,706</u> | <u>10,093</u> | <u>118,641</u> | <u>1,142,436</u> | <u>12,984,876</u> |
| Total Liabilities and Fund Equity | <u>\$ 14,085,507</u> | <u>\$ 608,433</u> | <u>\$ 189,163</u> | <u>\$ 2,479,783</u> | <u>\$ 17,362,886</u> |

Amounts reported for governmental activities in the statement of net position are different due to the following:

| | |
|--|---------------------|
| Total Governmental Fund Equity per above | \$ 12,984,876 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 21,679,816 |
| Government funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | 14 |
| Accrued interest expense is reported under the accrual basis. | (30,625) |
| Long-term liabilities, including bonds payable, installment purchase debt, judgments and claims compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds | (33,371,550) |
| Net Pension Liability | (2,424,733) |
| Deferred Inflows of Resources | (781,909) |
| Deferred Outflows of Resources | 11,599,266 |
| Net Position of Governmental Activities | <u>\$ 9,655,155</u> |

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| Revenues | <u>General</u> | <u>Special Aid Fund</u> | <u>School Lunch Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-------------------------|--------------------------|------------------------------|---------------------------------|
| Real Property Taxes and Tax Items | \$ 31,274,503 | \$ - | \$ - | \$ - | \$ 31,274,503 |
| Charges for Services | 167,032 | - | - | - | 167,032 |
| Use of Money and Property | 217,157 | - | 351 | - | 217,508 |
| Sale of Property and Compensation for Loss | 176,693 | - | - | - | 176,693 |
| Miscellaneous | 187,218 | - | 98 | - | 187,316 |
| State Sources | 13,893,725 | 272,482 | 8,504 | 454,889 | 14,629,600 |
| Federal Sources | 86,507 | 754,678 | 228,663 | - | 1,069,848 |
| Sales | - | - | 394,045 | - | 394,045 |
| Total Revenues | <u>46,002,835</u> | <u>1,027,160</u> | <u>631,661</u> | <u>454,889</u> | <u>48,116,545</u> |
| Expenditures | | | | | |
| General Support | 3,649,631 | - | 308,981 | - | 3,958,612 |
| Instruction | 21,901,062 | 1,039,558 | - | - | 22,940,620 |
| Pupil Transportation | 2,646,538 | 49,456 | - | - | 2,695,994 |
| Employee Benefits | 12,074,396 | - | 21,184 | - | 12,095,580 |
| Debt Service | 3,351,014 | - | - | - | 3,351,014 |
| Cost of Sales | - | - | 280,628 | - | 280,628 |
| Capital Outlay | 90,000 | - | - | 1,003,122 | 1,093,122 |
| Total Expenditures | <u>43,712,641</u> | <u>1,089,014</u> | <u>610,793</u> | <u>1,003,122</u> | <u>46,415,570</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>2,290,194</u> | <u>(61,854)</u> | <u>20,868</u> | <u>(548,233)</u> | <u>1,700,975</u> |
| Other Financing Sources And (Uses) | | | | | |
| Interfund Transfers, net | (1,070,516) | 61,141 | (108,544) | 1,117,919 | - |
| BANs Redeemed From Appropriations | - | - | - | 372,580 | 372,580 |
| Total Other Financing Sources (Uses) | <u>(1,070,516)</u> | <u>61,141</u> | <u>(108,544)</u> | <u>1,490,499</u> | <u>372,580</u> |
| Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses) | <u>1,219,678</u> | <u>(713)</u> | <u>(87,676)</u> | <u>942,266</u> | <u>2,073,555</u> |
| Fund Equity, Beginning of Year, as originally reported | 9,771,796 | 10,806 | 206,317 | 922,402 | 10,911,321 |
| Prior period adjustment | <u>722,232</u> | <u>-</u> | <u>-</u> | <u>(722,232)</u> | <u>-</u> |
| Fund Equity, Beginning of Year, as restated | <u>10,494,028</u> | <u>10,806</u> | <u>206,317</u> | <u>200,170</u> | <u>10,911,321</u> |
| Fund Equity, End of Year | <u>\$ 11,713,706</u> | <u>\$ 10,093</u> | <u>\$ 118,641</u> | <u>\$ 1,142,436</u> | <u>\$ 12,984,876</u> |

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | | |
|--|---|-------------|
| Net changes in fund equity - total governmental funds | \$ | 2,073,555 |
| <p>Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.</p> | | |
| | Depreciation expense \$ | (1,351,423) |
| | Capital outlays | 1,692,917 |
| | | 341,494 |
| <p>The net book value, cost less accumulated depreciation, of capital assets disposed of are removed from the statement of net position. Any gain or loss resulting is recorded in the statement of activities.</p> | | |
| | | (339,141) |
| <p>Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditures in the governmental funds. The increase in accrued interest increases expenses in the statement of activities</p> | | |
| | | (8,841) |
| <p>Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | | |
| | | 2,375,000 |
| <p>Amortization of bond premium and loss on refunding bonds is an adjustment to interest expense in the statement of activities.</p> | | |
| | | 723 |
| <p>Property taxes are reported as revenue in governmental funds when available. Property taxes that are levied but not considered available are reported as deferred inflows of resources. However, for governmental activities property tax revenues are recognized when levied.</p> | | |
| | | (89,913) |
| <p>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:</p> | | |
| | Other Postemployment Benefits \$ | (2,277,664) |
| | Judgements and Claims | (76,537) |
| | Compensated Absences | (59,545) |
| | Adjustments for net pension liability - ERS | (184,771) |
| | Adjustments for net pension asset - TRS | 57,317 |
| | | (2,541,200) |
| Change in net position - governmental activities | \$ | 1,811,677 |

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

| | Agency | Private Purpose Trusts |
|----------------------------------|---------------|---------------------------------------|
| ASSETS | | |
| Cash - unrestricted | \$ 433,758 | \$ - |
| Cash - restricted | 105,435 | 42,470 |
| Due from other funds | 10,748 | - |
| Total Assets | \$ 549,941 | \$ 42,470 |
| LIABILITIES | | |
| Extraclassroom activity balances | \$ 105,435 | \$ - |
| Due to other funds | 408,729 | - |
| Other liabilities | 35,777 | - |
| Total Liabilities | \$ 549,941 | - |
| NET POSITION | | |
| Reserved for scholarships | | \$ 42,470 |

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

| | Private Purpose Trusts |
|----------------------------------|---------------------------------------|
| ADDITIONS | |
| Gifts and contributions | \$ 12,370 |
| Investment earnings | 10 |
| Total Additions | 12,380 |
| DEDUCTIONS | |
| Scholarships and awards | 8,114 |
| Change in Net Position | 4,266 |
| Net Position - Beginning of year | 38,204 |
| Net Position - End of year | \$ 42,470 |

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Schalmont Central School District at Rotterdam ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Schalmont Central School District at Rotterdam is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the District's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of an entity included in the District's reporting entity:

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management and the cash and investment balances are reported in the Trust and Agency Fund of the District. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 4 Sabre Drive, Schenectady, New York.

B. Joint Venture

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

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

BOCES are organized under Section 1950 of the 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 (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

During the year ended June 30, 2017, the District was billed \$4,677,011 for BOCES administrative and program costs.

The District's share of BOCES Aid amounted to \$988,258.

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

C. Basis of Presentation

District-wide statements

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

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

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

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

The District reports the following major funds:

I. Governmental Funds

General Fund

The General Fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Aid Fund

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

School Lunch Fund

Used to account for transactions of lunch, breakfast and milk programs.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities and equipment.

II. Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

II. Fiduciary Funds

There are two classes of fiduciary funds:

a. Private Purpose Trust Funds

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

b. Agency Funds

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

D. Basis of Accounting/Measurement Focus

General Information

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

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

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

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

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

E. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 29, 2016. Taxes were collected during the period September 1 through October 31, 2016.

II. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties of Schenectady, Albany and Montgomery, in which the District is located. An amount representing uncollected real property taxes transmitted to the counties for enforcement is paid by the counties to the District no later than the forthcoming April 1.

G. Restricted Resources

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

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse during the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not located 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 which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

| | |
|----------------------------|--------------|
| From Additional Revenues: | |
| Bullet Aid | \$ 88,000 |
| From Reserves: | |
| Appropriated Fund Balance* | (6,433) |
| Fund Capital Reserve | 1,500,000 |
| Total | \$ 1,581,567 |

*The amount used for encumbrances originally was incorrect and the budget was subsequently adjusted by this amount.

- e. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.
- f. Budgets are established and used for individual capital project expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

II. Encumbrances

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

III. Budget Basis of Accounting

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

I. Cash and Investments

The District investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts. Investments are stated at fair value. Certificates of deposit, if any, are classified as investments in these financial statements.

J. Accounts Receivable

Accounts receivable are shown net of an allowance for amounts estimated to be uncollectible. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories

Inventories of food and supplies in the school lunch fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

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

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Interfund Transfers

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

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

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

Refer to Note 2.A.II. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

M. Equity Classifications

District-wide Statements

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

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

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

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

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund Statements

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

Non-spendable fund equity - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$13,678.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund equity:

Employee Benefits Accrued Liabilities Reserve

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to 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.

Retirement Contributions Reserve

According to General Municipal Law §6-r, must be used for financing employee 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.

Tax Certiorari Reserve

According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari to be expended from the fund without voter approval. The monies held in the reserve shall not exceed the amount that 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.

Reserve for Debt

Used to account for the advanced refunding of debt and unspent proceeds of debt restricted for debt service. This reserve is accounted for in the Reserve for Debt in the General Fund.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Unemployment Insurance Reserve

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

Restricted fund equity includes the following:

| | |
|---------------------------------------|---------------------|
| General Fund: | |
| Employee Benefits Accrued Liabilities | \$ 1,851,257 |
| Retirement Contributions | 2,352,058 |
| Tax Certiorari | 283,983 |
| Reserve for Debt | 732,795 |
| Unemployment Insurance | <u>300,000</u> |
| Total restricted fund equity | <u>\$ 5,520,093</u> |

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

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$169,217. Appropriated fund equity in the General Fund is \$956,236. The remaining fund equity in the other funds is also reported as assigned.

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 equity 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.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Purpose of Encumbrances

| | |
|----------------------|-------------------|
| General Fund | |
| General Support | \$ 36,389 |
| Instruction | 124,520 |
| Pupil Transportation | 7,929 |
| Capital Outlay | <u>379</u> |
| | <u>\$ 169,217</u> |

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity 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. The District exceeded this limit by \$3,178,305 at June 30, 2017.

Order of Use of Fund Equity:

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

N. Postemployment Benefits

In addition to providing the retirement benefits described in Note 2.B., the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently 340 retirees meet those eligibility requirements. The District offers active and retired employees the option of joining several non-self-insured health insurance plans. The District pays between 80% and 100% of the cost of premiums for retirees with individual coverage or with family coverage to insurance companies, which provided health care insurance. The District recognized the cost of providing benefits for its retirees for fiscal year 2017 by recording approximately \$3,524,000, its share of insurance premiums, as an expenditure in fiscal year 2017.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to 1999. For assets acquired prior to 2000, estimated historical costs based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received.

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life In Years |
|-------------------------|-------------------------------------|--------------------------------|---|
| Buildings | \$ 1,000 | SL | 50 |
| Land/site improvements | \$ 1,000 | SL | 20 |
| Furniture and equipment | \$ 1,000 | SL | 5-30 |
| Licensed vehicles | \$ 1,000 | SL | 5-10 |

P. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. *Short-term debt*

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

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

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

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

R. *Accrued liabilities and long-term obligations*

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

S. *Self-Insured Vision and Dental Insurance Plans*

The District provides self-insured vision and dental insurance benefit plans for its active and retired employees and requires both to contribute towards their cost.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

T. Workers' Compensation Plan

The District joined the Schoharie Area Workers' Compensation Trust (the Trust) on July 1, 2004. The Trust is a mechanism to provide funds for the District to meet its responsibility under the Workers' Compensation Law. It is a group self-insurance plan with excess insurance coverage. The Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The Trust has a stop loss policy to protect the District from unusually high claims. To the extent the Trust funds might be insufficient to pay benefits, the District would assume the liability.

U. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

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

a. Total Fund equity of governmental fund vs. net position of governmental activities:

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

b. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of four broad categories. The differences represent:

Long-Term Revenue and Expense Differences

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

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

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 an asset on the Statement of Net Position and depreciation expense on those items is recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

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

Pension Differences

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

V. Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, postemployment benefits, net pension asset/liability, potential contingent liabilities, liabilities for tax certiorari claims, and useful lives of long-term assets.

W. Vested Employee Benefits

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on last-in, first-out (LIFO) basis.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

W. Vested Employee Benefits

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, 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 applicable contract rates in effect at year-end.

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

X. Implementation of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standard issued by GASB:

GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017. See Note 5 for the disclosures related to implementation of this standard.

GASB has issued Statement 82, *Pensions Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73*, effective for the year ending June 30, 2017.

Y. Future Changes in Accounting Standards

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

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018.

GASB has issued Statement 81, *Irrevocable Split – Interest Agreements*, effective for the year ending June 30, 2018.

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement 85, *Omnibus 2017*, effective for the year ending June 30, 2018.

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*, effective for the year ending June 30, 2018.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2021.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Z. Prior Period Adjustment

During the year end June 30, 2017 the District performed a reconciliation of Bond Anticipation Notes (BANs) and related activity recorded within both the General Fund and Capital Fund. The District identified that the amounts reported as debt service expenditures within the General Fund were overstated by \$722,232 and the BANs redeemed from appropriations within the Capital Fund were overstated by \$722,232. The ending balance in BANs at the end of the years was correct. As a result, a prior period adjustment was recorded for \$722,232 increasing beginning of year fund equity for the General Fund and decreasing beginning of year fund equity in the Capital Fund, each by that amount.

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2017 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment Pool

Investments are stated at fair value and are categorized as either (1) insured or registered, or investments are held by the District or the District's agent in the District's name, (2) uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the District's name. The District had no investments at June 30, 2017.

Restricted Cash

Restricted cash at June 30, 2017 in the General Fund consists of \$5,520,093 of which, \$2,352,058 is reserved for retirement contributions, \$1,851,257 reserved for employee benefits accrued liabilities, \$300,000 reserved for unemployment insurance, \$283,983 restricted for tax certiorari, and reserve for debt of \$732,795.

Restricted cash at June 30, 2017 in the Capital Projects Fund consists of \$1,500,000 restricted for use for a certain project.

Restricted cash at June 30, 2017 in the Fiduciary Funds includes \$105,435 restricted for Extraclassroom Activity Funds, and \$42,470 restricted for scholarships.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Balances and Activities

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund balances and activities at June 30, 2017 are as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> | <u>Interfund Revenues</u> | <u>Interfund Expenditures</u> |
|-----------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$ 412,776 | \$ - | \$ 572,651 | \$ 1,643,167 |
| Special Aid Fund | - | 591,988 | 61,141 | - |
| School Lunch Fund | | 70,000 | 20,000 | 128,544 |
| Capital Fund | 657,940 | 10,747 | 1,690,570 | 572,651 |
| Debt Service Fund | - | - | - | - |
| Total Government Activities | <u>1,070,716</u> | <u>672,735</u> | <u>2,344,362</u> | <u>2,344,362</u> |
| Fiduciary Fund | <u>10,748</u> | <u>408,729</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,081,464</u> | <u>\$ 1,081,464</u> | <u>\$ 2,344,362</u> | <u>\$ 2,344,362</u> |

III. Accounts Receivable

Accounts receivable at June 30, 2017 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|-------------------|--------------------------------|-------------------|
| General Fund | Use of facilities and tuition | <u>\$ 136,826</u> |
| School Lunch Fund | Outstanding school lunch bills | <u>\$ 16,160</u> |

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. DETAIL NOTES ON ALL FUNDS

A. Assets

IV. Capital Assets

Capital asset balances for the year ended June 30, 2017 are as follows:

| | <u>Balance July 1</u> | <u>Additions/ Reclassifications</u> | <u>Retirements/ Reclassifications</u> | <u>Balance June 30</u> |
|--|---------------------------|---|---|----------------------------|
| Governmental Activities | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 925,800 | \$ 90,000 | \$ 17,100 | \$ 998,700 |
| Total nondepreciable historical cost | <u>925,800</u> | <u>90,000</u> | <u>17,100</u> | <u>998,700</u> |
| Capital assets that are depreciated: | | | | |
| Buildings | 30,297,181 | 397,392 | 284,363 | 30,410,210 |
| Furniture and equipment | 2,918,698 | 703,225 | 118,639 | 3,503,284 |
| Land/site improvements | 1,556,364 | - | 67,026 | 1,489,338 |
| Licensed vehicles | <u>4,257,139</u> | <u>502,300</u> | <u>400,938</u> | <u>4,358,501</u> |
| Total depreciable historical cost | <u>39,029,382</u> | <u>1,602,917</u> | <u>870,966</u> | <u>39,761,333</u> |
| Less accumulated depreciation | | | | |
| Buildings | 12,658,261 | 555,040 | - | 13,213,301 |
| Furniture and equipment | 1,836,930 | 354,001 | 87,048 | 2,103,883 |
| Land/site improvements | 1,063,340 | 59,586 | 62,421 | 1,060,505 |
| Licensed vehicles | <u>2,719,188</u> | <u>382,796</u> | <u>399,456</u> | <u>2,702,528</u> |
| Total accumulated depreciation | <u>18,277,719</u> | <u>1,351,423</u> | <u>548,925</u> | <u>19,080,217</u> |
| Total Capital Assets, Net | <u>\$ 21,677,463</u> | <u>\$ 341,494</u> | <u>\$ 339,141</u> | <u>\$ 21,679,816</u> |

The District's Mariaville Elementary School property was closed because of lack of enrollment. As the District does not expect enrollment to increase, the Board of Education has placed the property for sale. The property was appraised at and is being held for sale for \$600,000. The recorded value of the assets was written down from the carrying value to estimated fair value at June 30, 2012, and was recorded as an impairment. As of July 21, 2016, the Mariaville Elementary School property was approved for sale of \$175,000. The property was further written down to the selling price at June 30, 2016, and was recorded as an impairment. This property was sold during the June 30, 2017 year.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. DETAIL NOTES ON ALL FUNDS

A. Assets

IV. Capital Assets

The District also closed the Woestina and Schonowe School buildings due to lack of enrollment. The District is currently renting the Woestina building for the 2016-2017 school year. The annual amount of rent received for this location is \$112,000. As of May 20, 2016, the Schonowe School property was approved for disposal. The property was appraised at and is being held for sale for \$250,000. The recorded value of the assets was written down from the carrying value to estimated fair value at June 30, 2016, and was recorded as an impairment.

Fair value measurements of impaired capital assets are categorized based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Based on an appraisal of the property (Level 3 inputs), the Schonowe School building has been written down from its carrying value.

B. Liabilities

I. Pension Plans

General Information

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

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The system is governed by a 10 member Board of Trustees. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Teachers' Retirement System

additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

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

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

| | <u>ERS</u> | <u>TRS</u> |
|---------|------------|--------------|
| 2016-17 | \$ 658,450 | \$ 1,815,475 |
| 2015-16 | 751,964 | 2,062,767 |
| 2014-15 | 798,691 | 2,581,234 |

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pension Liabilities

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

| | <u>ERS</u> | <u>TRS</u> |
|--|---------------|---------------|
| Actuarial valuation date | April 1, 2016 | June 30, 2015 |
| Net pension asset/(liability) | \$(1,342,005) | \$(1,082,728) |
| District's portion of the Plan's total net pension asset/(liability) | .014% | .101% |

Pension Expense (Credit)

For the year ended June 30, 2017, the District recognized its proportionate share of pension expense of \$768,508 for ERS and \$1,790,890 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|--|---------------------------------------|----------------------|--------------------------------------|-------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experiences | \$ 33,629 | \$ - | \$ 203,791 | \$ 351,731 |
| Changes of assumptions | 458,478 | 6,167,910 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 268,053 | 2,434,543 | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 243,142 | 2,079 | 10,401 | 215,986 |
| Contributions subsequent to the measurement date | <u>175,957</u> | <u>1,815,475</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,179,259</u> | <u>\$ 10,420,007</u> | <u>\$ 214,192</u> | <u>\$ 567,717</u> |

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2018 for ERS and June 30, 2017 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>ERS</u> | <u>TRS</u> |
|-------------|------------|------------|
| Year ended: | | |
| 2017 | \$ - | \$ 720,699 |
| 2018 | 337,228 | 720,699 |
| 2019 | 337,228 | 2,611,432 |
| 2020 | 277,529 | 2,023,170 |
| 2021 | (162,875) | 910,364 |
| Thereafter | - | 1,050,451 |

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

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

| | <u>ERS</u> | <u>TRS</u> |
|---|--|--|
| Measurement date | March 31, 2017 | June 30, 2016 |
| Actuarial valuation date | April 1, 2016 | June 30, 2015 |
| Interest Rate | 7.0% | 7.5% |
| Salary Scale | 3.8% | 1.9% - 4.72% |
| Decrement tables | April 1, 2010 - March 31, 2015 System's Experience | July 1, 2009 - June 30, 2014 System's Experience |
| Inflation rate | 2.5% | 2.5% |
| Projected Cost of Living Adjustments | 1.3% annually | 1.5% annually |

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

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

The long term 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.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

| <u>ERS</u> | <u>Target Allocation</u> | <u>Long-term expected Real rate of return*</u> |
|-------------------------------|--------------------------|--|
| | <u>2016</u> | <u>2016</u> |
| Asset Class: | | |
| Domestic equities | 36% | 4.55% |
| International equities | 14 | 6.35 |
| Private Equity | 10 | 7.75 |
| Real estate | 10 | 5.80 |
| Absolute return strategies(1) | 2 | 4.00 |
| Opportunistic portfolio | 3 | 5.89 |
| Real assets | 3 | 5.54 |
| Bonds and mortgages | 17 | 1.31 |
| Cash | 1 | (0.25) |
| Inflation-Indexed bonds | <u>4</u> | 1.50 |
| Total | <u>100%</u> | |

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2016.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equities and international equities, respectively.

| <u>TRS</u> | <u>Target Allocation</u> | <u>Long-term expected Real rate of return*</u> |
|----------------------------------|--------------------------|--|
| | <u>2015</u> | <u>2015</u> |
| Asset Class: | | |
| Domestic equities | 37% | 6.1% |
| International equities | 18 | 7.3 |
| Real estate | 10 | 5.4 |
| Private equities | <u>7</u> | 9.2 |
| Total equities | <u>72</u> | |
| Domestic fixed income securities | 17 | 1.0 |
| Global fixed income securities | 2 | 0.8 |
| Mortgages | 8 | 3.1 |
| Short-term | <u>1</u> | 0.1 |
| Total fixed income | <u>28</u> | |
| Total | <u>100%</u> | |

* Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2017 calculated using the discount rate of 7% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6% for ERS and 6.5% for TRS) or 1-percentage point higher (8% for ERS and 8.5% for TRS) than the current rate:

| ERS | 1% Decrease <u>(6.0%)</u> | Current Assumption <u>(7.0%)</u> | 1% Increase <u>(8.0%)</u> |
|--|--|---|--------------------------------------|
| Employer's proportionate share of the net pension asset/(liability) | \$(4,286,100) | \$(1,342,005) | \$1,147,221 |
| | | | |
| TRS | 1% Decrease <u>(6.5%)</u> | Current Assumption <u>(7.5%)</u> | 1% Increase <u>(8.5%)</u> |
| Employer's proportionate share of the net pension asset/(liability) | \$(14,126,652) | \$ (1,082,728) | \$ 9,857,831 |

Changes of assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings of pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2017 is \$851,944 for ERS and \$1,758,574 for TRS.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Payables to the pension plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$175,957.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$1,884,128.

Other Benefits

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

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

| | |
|---|------------------|
| Interest paid | \$ 10,359 |
| Less interest accrued in the prior year | (198) |
| Plus interest accrued in the current year | <u>9,875</u> |
| Total Expense | <u>\$ 20,036</u> |

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Changes in Short-Term Debt

| | <u>Balance July 1</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Balance June 30</u> |
|-----|---------------------------|-------------------|-------------------|----------------------------|
| BAN | \$ <u>1,219,180</u> | \$ <u>470,000</u> | \$ <u>372,580</u> | \$ <u>1,316,600</u> |

Long-Term Debt

Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Interest on long-term debt was comprised of:

| | |
|---|-------------------|
| Interest paid | \$ 593,075 |
| Less interest accrued in the prior year | (21,586) |
| Plus interest accrued in the current year | 20,750 |
| Less amortization of deferred amounts and bond premium | <u>(723)</u> |
| Total Expense | <u>\$ 591,516</u> |

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Changes in Short-Term Debt

The changes in indebtedness during the year ended June 30, 2017 are summarized as follows:

| | <u>Balance July 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30</u> |
|---|---------------------------|---------------------|---------------------|----------------------------|
| Serial Bonds | \$ 14,035,000 | \$ - | \$ 2,375,000 | \$ 11,660,000 |
| Plus - Bond Premium | 712,843 | - | 202,039 | 510,804 |
| Less - Unamortized Losses on Refunding* | <u>(712,134)</u> | <u>-</u> | <u>(201,316)</u> | <u>(510,818)</u> |
| Total Bonds | 14,035,709 | - | 2,375,723 | 11,659,986 |
| Other Postemployment Benefits | 17,292,234 | 5,801,617 | 3,523,953 | 19,569,898 |
| Compensated Absences | 1,798,124 | 59,545 | - | 1,857,669 |
| Judgments and Claims | <u>207,446</u> | <u>76,537</u> | <u>-</u> | <u>283,983</u> |
| Total | <u>\$ 33,333,513</u> | <u>\$ 5,937,699</u> | <u>\$ 5,899,676</u> | <u>\$ 33,371,536</u> |

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

The above balances are liquidated by the general fund.

* This item is recorded as a deferred outflow on the statement of net position.

Prior Year Defeasance

In a prior fiscal year, the District defeased serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$4.73 million of bonds outstanding are considered defeased.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Maturity

The following is a summary of maturity of indebtedness:

| <u>Description of Issue</u> | <u>Original Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Outstanding June 30, 2017</u> |
|----------------------------------|------------------------------------|---------------------------|--------------------------|--------------------------------------|
| <u>Serial Bonds</u> | | | | |
| Reconstruction | 06/15/09 | 06/15/24 | 3.125-4.0% | \$ 2,700,000 |
| 2011 Refunding | 06/06/11 | 06/15/23 | 2.5-5.0% | 5,200,000 |
| 2013 Refunding | 06/15/13 | 06/15/23 | 2.0-4.0% | <u>3,760,000</u> |
| Total Serial Bonds | | | | <u>\$ 11,660,000</u> |
| <u>Bond Anticipation Notes</u> | | | | |
| In Capital Projects Fund: | | | | |
| Buses | 09/6/16 | 09/6/17 | .90% | <u>\$ 1,316,600</u> |
| Total Bond Anticipation Notes | | | | <u>\$ 1,316,600</u> |

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|---------------------|----------------------|
| 2018 | \$ 2,470,000 | \$ 498,000 | \$ 2,968,000 |
| 2019 | 2,510,000 | 387,150 | 2,897,150 |
| 2020 | 1,485,000 | 274,250 | 1,759,250 |
| 2021 | 1,545,000 | 210,900 | 1,755,900 |
| 2022 | 1,615,000 | 141,250 | 1,756,250 |
| 2023-2024 | <u>2,035,000</u> | <u>97,150</u> | <u>2,132,150</u> |
| Total | <u>\$ 11,660,000</u> | <u>\$ 1,608,700</u> | <u>\$ 13,268,700</u> |

There are currently pending tax certiorari proceedings, the results of which could require the future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. The District plans on funding any settlements from the Tax Certiorari Reserve, future appropriations and/or issuing debt. Judgments and claims consist of the estimated liability for various legal actions against the District, primarily tax certiorari claims.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2017, the District has exhausted 8.94% of its constitutional debt limit.

3. COMMITMENTS AND CONTINGENCIES

A. Litigation

Numerous tax certiorari actions are pending against the District for reductions in the assessed value of various properties. The petitions are for taxes collected between 2014 -15, 2015 -16, 2016 -17.

Management believes that the likelihood of a reduction is probable. Provisions for losses for those cases are recorded in long-term debt. See Note 2.B.II. The District plans on funding any settlements from the tax certiorari reserve, future appropriations and/or issuing debt.

B. Risk Financing and Related Insurance

General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, injuries to employees; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

1. New York State Unemployment Insurance (NYS/UI)

The District elected the direct benefits payment method for the payment of NYS/UI benefits effective July 1, 1978. For the year ended June 30, 2017, \$35,000 was provided in the 2016-2017 original appropriations budget.

2. Dental and Vision Insurance

Dental Insurance Plan

The District provides a self-insured dental insurance benefit plan for its active employees and requires employees to contribute towards its cost.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

3. COMMITMENTS AND CONTINGENCIES

B. Risk Financing and Related Insurance

General Information

2. Dental and Vision Insurance

Vision Insurance Plan

The District provides a self-insured vision insurance benefit plan for its active employees and requires employees to contribute towards its cost.

Method of Calculating Expense of the Dental and Vision Plans

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2017 have been recorded as accounts payable in the General Fund.

The District establishes dental and vision insurance claims liabilities based on estimates of the ultimate cost of claims. Claims under this plan are paid during the year or in the subsequent year. The length of time claims may be submitted is limited to ninety days after year end.

The District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities for the District during the past two years:

| | <u>2017</u> | | <u>2016</u> | |
|--|------------------|------------------|------------------|------------------|
| | <u>Vision</u> | <u>Dental</u> | <u>Vision</u> | <u>Dental</u> |
| Unpaid claims and claim adjustment expenses at beginning of year | \$ 10,261 | \$ 21,879 | \$ 12,312 | \$ 22,785 |
| Incurred claims and claim adjustment expenses: | | | | |
| Provision for incurred claims expenses for events of the current year and change in provision for incurred events of prior years | 251,249 | 479,360 | 249,326 | 421,165 |
| Payments made for claims during the current year | <u>(251,249)</u> | <u>(479,360)</u> | <u>(251,377)</u> | <u>(422,071)</u> |
| Total unpaid claims and claim adjustment expenses at end of year | <u>\$ 10,261</u> | <u>\$ 21,879</u> | <u>\$ 10,261</u> | <u>\$ 21,879</u> |

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. COMMITMENTS AND CONTINGENCIES

B. Risk Financing and Related Insurance

General Information

3. Workers' Compensation Plan

The District participates in a risk sharing pool, the Schoharie Area Workers' Compensation Trust, (the Trust) to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to Workers' Compensation claims. Workers' compensation benefits are provided by the Trust and administered under contract with the Trust's consultant. The Trust also has specific excess workers' compensation and employers' liability indemnity coverage. Under the policies, the limit for workers' compensation coverage is \$10 million and employers' liability \$2 million per occurrence and specific excess coverage provided for paid workers' compensation claims in excess of \$350,000 per occurrence within a twelve month period beginning on the date or anniversary of the occurrence.

4. Tax Certiorari Claims

There are currently pending tax certiorari proceedings, the results of which could require the payment of future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount accrued represents an estimated settlement amount. See Footnote 2.B.II. for detail of accrued amounts. Any payments resulting from adverse decisions will be funded in the year the payment is made.

C. Other Items

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

4. POST-EMPLOYMENT BENEFITS

The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* required the District to calculate and record a net other postemployment benefit (OPEB) obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. POST-EMPLOYMENT BENEFITS

The District has obtained an actuarial valuation report as of July 1, 2016 which indicates that the net OPEB obligation at June 30, 2017 for other postemployment benefits is \$19,569,898, which is reflected in the Statement of Net Position.

Funding Policy: The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go".

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

| | <u>06/30/17</u> | <u>06/30/16</u> |
|--|----------------------|----------------------|
| Normal cost | \$ 2,508,353 | \$ 2,232,032 |
| Amortization of unfunded actuarial liability | <u>3,076,326</u> | <u>2,849,897</u> |
| Annual Required Contribution | 5,584,679 | 5,081,929 |
| Interest on OPEB obligation | 864,612 | 785,717 |
| Adjustment to ARC | <u>(647,674)</u> | <u>(588,574)</u> |
| OPEB Expense | <u>\$ 5,801,617</u> | <u>\$ 5,279,072</u> |
| Net OPEB obligation at the beginning of the year | \$ 17,292,234 | \$ 15,714,333 |
| OPEB expense | 5,801,617 | 5,279,072 |
| Net OPEB contributions made during the fiscal year | <u>(3,523,953)</u> | <u>(3,701,171)</u> |
| Net OPEB Obligation at the End of the Year | <u>\$ 19,569,898</u> | <u>\$ 17,292,234</u> |
| Percentage of Expense Contributed | 61.0% | 70.0% |

Funded Status

| | |
|--|----------------------|
| Actuarial Accrued Liability at end of year | \$ 82,134,810 |
| Plan Assets at end of year | <u>-</u> |
| Unfunded Actuarial Accrued Liability | <u>\$ 82,134,810</u> |
| Percentage of Funded Accrued Liability | 0% |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, 2016 and 2015 is as follows:

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

4. POST-EMPLOYMENT BENEFITS

Funded Status

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|--------------------------------|
| 06/30/15 | \$ 5,083,739 | 67.0% | \$ 15,714,333 |
| 06/30/16 | \$ 5,279,072 | 70.1% | \$ 17,292,234 |
| 06/30/17 | \$ 5,801,617 | 60.7% | \$ 19,569,898 |

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan) as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retiree from the District, 2) enrolled in District provided health care at time of retirement, 3) have at least ten years of service under the New York State Teachers' or Employee's Retirement System and 4) for SNEA support staff and non-bargaining management and confidential staff only if hired after July 1, 1991 must be at least age 55. 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 projected unit credit cost method was used. Under this method, the present value of each employee's future retiree health benefit claims costs is allocated over a portion of the employee's employment, the "attribution period". The attribution period begins with the employee's date of employment and ends with the date which the employee is expected to retire. The actuarial assumptions included a 5.0% investment rate of return, an annual healthcare cost trend rate of 5.6% initially, reduced by decrements to an ultimate rate of 3.94%, mortality tables from Office of the Actuary of the New York TRS and ERS, no employees will retire before age 70 without attaining ten years of District service, withdrawal for employees with less than ten years of service and retirement tables based on age and length of service and postemployment election coverage between plans tables were developed based on prior history, assumed all future administrators and non-bargaining retirees will contribute 20% of medical and vision premiums and receive reimbursement for a portion of their Medicare Part B premium payment, 50% will have covered spouses at retirement, all eligible employees will elect postemployment coverage upon retirement and 90% of eligible married employees will elect spousal coverage, 4% payroll growth, and also used assumptions developed by TRS and ERS. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 22 years.

SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. TAX ABATEMENTS

The Schalmont Central School District enters into various property tax abatement programs for the purpose of a tax certiorari settlement. The District's property tax revenue was reduced by \$4,098,273. The District received Payment in Lieu of Taxes (PILOT) payments totaling \$3,481,022.

6. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 10, 2017, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these financial statements.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Final Budget Variance With Actual</u> |
|---|----------------------------|-------------------------|----------------------|--|
| Revenues | | | | |
| Local Sources | | | | |
| Real Property Taxes | \$ 27,739,779 | \$ 27,739,779 | \$ 27,778,080 | \$ 38,301 |
| Real Property Tax Items | 3,486,022 | 3,486,022 | 3,496,423 | 10,401 |
| Charges for Services | 30,000 | 30,000 | 167,032 | 137,032 |
| Use of Money and Property | 220,000 | 220,000 | 217,157 | (2,843) |
| Sale of Property and Compensation for Loss | - | - | 176,693 | 176,693 |
| Miscellaneous | 135,000 | 135,002 | 187,218 | 52,216 |
| State Sources | 13,850,942 | 13,938,942 | 13,893,725 | (45,217) |
| Federal Sources | 50,000 | 50,000 | 86,507 | 36,507 |
| Other Sources | | | | |
| Interfund Transfers | - | - | 572,651 | 572,651 |
| Total Revenue and Other Sources | 45,511,743 | 45,599,745 | 46,575,486 | \$ <u>975,741</u> |
| Prior Year's Encumbrances | 214,868 | 214,868 | - | |
| Appropriated Fund Equity | 1,058,684 | 2,552,249 | - | |
| Total Revenues, Other Sources and Appropriated Fund Equity | \$ <u>46,785,295</u> | \$ <u>48,366,862</u> | \$ <u>46,575,486</u> | |

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Encumbrances</u> | <u>Final Budget Variance With Actual and Encumbrances</u> |
|---|----------------------------|-------------------------|---------------|---------------------|---|
| Expenditures | | | | | |
| General Support | | | | | |
| Board of Education | \$ 6,500 | \$ 7,950 | \$ 2,879 | \$ 4,970 | \$ 101 |
| Central Administration | 237,000 | 243,010 | 240,916 | 109 | 1,985 |
| Finance | 410,900 | 422,780 | 412,267 | 4,649 | 5,864 |
| Staff | 365,014 | 392,314 | 334,447 | 2,524 | 55,343 |
| Central Services | 2,786,354 | 2,752,246 | 2,318,711 | 24,135 | 409,400 |
| Special Items | 420,000 | 370,000 | 340,411 | 2 | 29,587 |
| Instruction | | | | | |
| Instruction, Administration and Improvement | 1,128,166 | 1,160,517 | 969,749 | 15,212 | 175,556 |
| Teaching - Regular School | 11,215,470 | 11,266,318 | 10,924,423 | 15,178 | 326,717 |
| Programs for Students with Disabilities | 6,130,150 | 6,608,142 | 6,423,535 | 12,179 | 172,428 |
| Occupational Education | 927,000 | 813,800 | 773,730 | - | 40,070 |
| Teaching - Special Schools | 43,800 | 28,955 | 26,485 | - | 2,470 |
| Instructional Media | 1,447,958 | 1,509,658 | 1,197,457 | 81,851 | 230,350 |
| Pupil Services | 1,729,303 | 1,750,663 | 1,585,683 | 100 | 164,880 |
| Capital Outlay | 90,000 | 90,000 | 90,000 | - | - |
| Pupil Transportation | 3,305,592 | 3,083,496 | 2,646,538 | 7,929 | 429,029 |
| Community Services | - | - | - | - | - |
| Employee Benefits | 12,743,771 | 12,723,841 | 12,074,396 | 379 | 649,066 |
| Debt Service | | | | | |
| Debt Service Principal | 3,111,245 | 2,892,712 | 2,747,580 | - | 145,132 |
| Debt Service Interest | 602,072 | 603,434 | 603,434 | - | - |
| Total Expenditures | 46,700,295 | 46,719,836 | 43,712,641 | 169,217 | 2,837,978 |
| Other Uses | | | | | |
| Interfund Transfer | 85,000 | 1,647,026 | 1,643,167 | - | 3,859 |
| Total Expenditures and Other Uses | \$ 46,785,295 | \$ 48,366,862 | \$ 45,355,808 | \$ 169,217 | \$ 2,841,837 |
| Net Change in Fund Equity | | | \$ 1,219,678 | | |
| Fund equity - beginning | | | 9,771,796 | | |
| Prior period adjustment | | | 722,232 | | |
| Fund equity - ending | | | \$ 11,713,706 | | |

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

| Actuarial Valuation Date | Actuarial Valuation of Assets (a) | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a percentage of Covered Payroll ((b-a)/c) |
|-------------------------------------|--|--|--|-------------------------------|------------------------------------|--|
| 7/1/2016 | \$ - | \$ 82,134,810 | \$ 82,134,810 | N/A | \$ 19,098,094 | 430.1% |
| 7/1/2015 | \$ - | \$ 76,089,379 | \$ 76,089,379 | N/A | \$ 19,850,480 | 383.3% |
| 7/1/2014 | \$ - | \$ 73,639,148 | \$ 73,639,148 | N/A | \$ 18,477,882 | 398.5% |

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2017**

| | ERS Pension Plan Last 10 Fiscal Years | | |
|--|--|--------------|--------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Proportion of the net pension liability (asset) | 0.01% | 0.01% | 0.01% |
| Proportionate share of the net pension liability (asset) | \$ 1,342,005 | \$ 2,343,638 | \$ 490,759 |
| Covered-employee payroll | \$ 4,158,310 | \$ 4,582,145 | \$ 4,521,241 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | 32.27% | 51.15% | 10.85% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.7% | 90.7% | 97.9% |

| | TRS Pension Plan Last 10 Fiscal Years | | |
|--|--|-----------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Proportion of the net pension liability (asset) | 0.10% | 0.10% | 0.10% |
| Proportionate share of the net pension liability (asset) | \$ 1,082,728 | \$ (10,191,667) | \$ (10,794,736) |
| Covered-employee payroll | \$ 15,538,268 | \$ 16,027,331 | \$ 14,739,137 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | 6.97% | -63.59% | -73.24% |
| Plan fiduciary net position as a percentage of the total pension asset | 99.01% | 110.46% | 111.48% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plan measurement date as disclosed in the footnotes.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

ERS Pension Plan
Last 10 Fiscal Years

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|
| Contractually required contribution | \$ 663,712 | \$ 788,975 | \$ 885,222 |
| Contributions in relation to the contractually required contribution | <u>(663,712)</u> | <u>(788,975)</u> | <u>(885,222)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 4,158,310 | \$ 4,582,145 | \$ 4,521,241 |
| Contributions as a percentage of covered-employee payroll | 15.96% | 17.22% | 19.58% |

TRS Pension Plan
Last 10 Fiscal Years

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 2,068,478 | \$ 2,583,771 | \$ 2,583,771 |
| Contributions in relation to the contractually required contribution | <u>(2,068,478)</u> | <u>(2,583,771)</u> | <u>(2,583,771)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 15,538,268 | \$ 16,027,331 | \$ 14,739,137 |
| Contributions as a percentage of covered-employee payroll | -13.31% | -16.12% | -17.53% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

| | |
|--------------------------------|----------------------|
| Adopted Budget | \$ 46,570,427 |
| Add: Prior year's encumbrances | <u>214,868</u> |
| Original Budget | 46,785,295 |
| Additions: | |
| Budget Amendments | <u>1,581,567</u> |
| Final Budget | <u>\$ 48,366,862</u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|--|---------------|
| 2017-18[subsequent year's] voter-approved expenditure budget | \$ 47,246,386 |
| Maximum allowed (4% of 2017-18 [subsequent year's] budget) | 1,889,855 |

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

| | |
|--------------------------------|---------------------|
| Unrestricted Fund Equity: | |
| Committed Fund Equity | \$ - |
| Assigned Fund Equity | 1,125,453 |
| Unassigned Fund Equity | 5,068,160 |
| Total Unrestricted Fund Equity | <u>\$ 6,193,613</u> |

Less:

| | |
|---|---------------------|
| Appropriated Fund Equity | \$ 956,236 |
| Insurance Recovery Reserve | - |
| Tax Reduction Reserve | - |
| Encumbrances included in Committed and Assigned Fund Equity | 169,217 |
| Total Adjustments | <u>\$ 1,125,453</u> |

| | |
|---|---------------------|
| General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law | <u>\$ 5,068,160</u> |
|---|---------------------|

| | |
|-------------------|--------|
| Actual percentage | 10.73% |
|-------------------|--------|

* 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.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| PROJECT TITLE | SED Project Number | Original | | Expenditures | | | Unexpended Balance | Methods of Financing | | | | Residual Equity Transfer | Fund Equity June 30, 2017 |
|-----------------------------|--------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|-------------------------|-------------------|----------------------|----------------------|--------------------------|---------------------------|
| | | Appropriation | Appropriation | Prior Years | Current Year | Total | | Proceeds of Obligations | State Aid | Local Sources | Total | | |
| | | | | | | | | | | | | | |
| Pre 2007 Projects | Various | \$ 35,912,857 | \$ 35,912,857 | \$ 35,645,409 | \$ - | \$ 35,645,409 | \$ 267,448 | \$ 32,353,766 | \$ 60,488 | \$ 3,871,421 | \$ 36,285,675 | \$ (22,817) | \$ 617,449 |
| School Bus Purchases | N/A | 3,084,745 | 3,084,745 | 3,084,745 | - | 3,084,745 | - | - | - | 2,984,487 | 2,984,487 | 100,258 | - |
| School Buses 07/08 | N/A | 390,000 | 387,289 | 387,289 | - | 387,289 | - | - | - | 234,000 | 234,000 | 153,289 | - |
| School Buses 08/09 | N/A | 381,000 | 381,000 | 381,000 | - | 381,000 | - | - | - | 152,400 | 152,400 | 228,600 | - |
| School Buses 09/10 | N/A | 294,000 | 294,000 | 278,660 | - | 278,660 | 15,340 | - | - | - | - | 278,660 | - |
| School Buses 10/11 | N/A | 315,000 | 315,000 | 314,906 | - | 314,906 | 92 | 301,620 | - | - | 301,620 | 13,288 | - |
| School Buses 11/12 | N/A | 456,900 | 438,164 | 426,840 | - | 426,840 | 11,324 | 315,000 | - | - | 315,000 | - | (111,840) |
| School Buses 12/13 | N/A | - | - | 334,683 | - | 334,683 | (334,683) | 456,900 | - | - | 456,900 | - | 122,217 |
| School Buses 13/14 | N/A | - | - | 104,005 | - | 104,005 | (104,005) | 273,000 | - | - | 273,000 | - | 168,995 |
| School Buses 14/15 | N/A | - | - | 452,651 | - | 452,651 | (452,651) | 192,400 | - | - | 192,400 | - | (260,251) |
| School Buses 15/16 | N/A | - | - | 439,900 | - | 439,900 | (439,900) | 94,000 | - | - | 94,000 | - | (345,900) |
| School Buses 16/17 | N/A | 460,000 | 460,000 | - | 457,486 | 457,486 | 2,514 | - | - | - | - | - | (457,486) |
| SSBA- 16/17 | N/A | 468,214 | 468,214 | - | 454,888 | 454,888 | 13,326 | - | - | 454,888 | 454,888 | - | - |
| Schonowe Asbestos Removal | 0003-004 | 33,000 | 33,000 | 6,838 | - | 6,838 | 26,162 | - | - | 6,838 | 6,838 | - | - |
| Schonowe Prop 2007 | 0003-070 | 388,000 | 383,521 | 530,329 | - | 530,329 | (146,808) | - | - | 530,329 | 530,329 | - | - |
| HS/MS Prop 2007 Ph. I | 0001-013 | 2,067,000 | 726,599 | 1,267,423 | - | 1,267,423 | (540,824) | 410,963 | - | 315,636 | 726,599 | 540,824 | - |
| HS/MS Prop 2007 Ph. II | 0001-015 | 7,258,000 | 7,519,875 | 6,191,038 | - | 6,191,038 | 1,328,837 | 3,650,298 | 676,811 | 2,956,935 | 7,284,044 | (1,093,006) | - |
| HS/MS Prop 2007 Ph. III | 0001-017 | - | 661,015 | 610,048 | - | 610,048 | 50,967 | 352,605 | - | 285,629 | 638,234 | (28,186) | - |
| HS/MS Prop 2007 Ph. IV | 0001-018 | - | 1,106,775 | 1,068,651 | - | 1,068,651 | 38,124 | 586,134 | - | 474,800 | 1,060,934 | 7,717 | - |
| HS/MS Window/Paving | 0001-019 | 24,740 | 24,740 | 149,410 | - | 149,410 | (124,670) | - | - | 149,410 | 149,410 | - | - |
| HS/MS Temp Control | 0001-020 | 500,000 | 500,000 | 349,589 | - | 349,589 | 150,411 | - | - | 349,589 | 349,589 | - | - |
| Jefferson Window/Floor | 0005-013/014 | 146,310 | 146,310 | 357,948 | - | 357,948 | (211,638) | - | - | 357,948 | 357,948 | - | - |
| Jefferson Gym Floor/Parking | 0005-015 | 271,000 | 271,000 | 421,181 | - | 421,181 | (150,181) | - | - | 421,181 | 421,181 | - | - |
| Jefferson Roof | 0005-016 | 370,000 | 370,000 | - | - | - | 370,000 | - | - | - | - | - | - |
| District Wide Phone | 7999-003 | 200,000 | 200,000 | 167,731 | - | 167,731 | 32,269 | - | - | 167,731 | 167,731 | - | - |
| District Wide 16/17 | 0004-17 | 13,853,500 | 13,853,500 | - | 90,748 | 90,748 | 13,762,752 | - | - | 1,500,000 | 1,500,000 | - | 1,409,252 |
| HS/MS Walk-in Freezer | 0001-021 | 128,544 | 128,544 | 128,544 | - | 128,544 | - | - | - | 128,544 | 128,544 | - | - |
| Totals | | \$ 67,002,810 | \$ 67,666,148 | \$ 53,098,820 | \$ 1,003,122 | \$ 54,101,942 | \$ 13,564,206 | \$ 38,986,686 | \$ 737,299 | \$ 15,341,766 | \$ 55,065,751 | \$ 178,627 | \$ 1,142,436 |

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2017**

| | | |
|--|------------------|--------------------------|
| Capital Assets, Net | \$ | 21,679,816 |
| Add: | | |
| Deferred loss of bond issuance | \$ 510,818 | |
| Less: Non capital portion of unamortized deferred Loss | <u>(133,940)</u> | |
| | | 376,878 |
| Deduct: | | |
| Bond anticipation notes payable | 1,316,600 | |
| Serial bonds payable | 11,660,000 | |
| Less: Non capital portion of serial bonds payable | (2,020,000) | |
| Unamortized bond premium | 510,804 | |
| Less: Non capital portion of unamortized bond premium | <u>(79,523)</u> | |
| | | <u>(11,387,881)</u> |
| Net Investment in Capital Assets | \$ | <u><u>10,668,813</u></u> |

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

To the President and Members of the Board of Education
Schalmont Central School District at Rotterdam

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 and each major fund of the Schalmont Central School District at Rotterdam (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 10, 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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompany schedule of findings and questioned costs as item 2017-002.

District's Response to Findings

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

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY

October 10, 2017

**SCHALMONT CENTRAL SCHOOL DISTRICT
AT ROTTERDAM
SINGLE AUDIT
SUPPLEMENTARY FINANCIAL REPORT
JUNE 30, 2017**

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

To the President and Members of the Board of Education of
Schalmont Central School District at Rotterdam

Report on Compliance for Each Major Federal Program

We have audited the Schalmont Central School District at Rotterdam's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Schalmont Central School District at Rotterdam, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompany schedule of findings and questioned costs as item 2017-03, that we considered to be a significant deficiency. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The District's response to internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Marvin and Company, P.C.

Latham, NY

October 10, 2017

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass- Through Grantor's Number</u> | <u>Passed Through To Subrecipient</u> | <u>Total Federal Expenditures</u> |
|--|------------------------------------|---|---|---|
| <u>U.S. Department of Education</u> | | | | |
| Passed Through New York State Education Department: | | | | |
| Special Education Cluster | | | | |
| Special Education - Grants to States | 84.027 | 0032-16-0833 | | \$ 445,346 |
| Special Education Preschool Grants | 84.173 | 0032-17-0833 | | <u>17,694</u> |
| Total Special Education Cluster | | | | <u>463,040</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-17-2745 | | 208,452 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-16-2745 | | 23,617 |
| Improving Teacher Quality State Grants | 84.367 | 0147-17-2745 | | 16,093 |
| Improving Teacher Quality State Grants | 84.367 | 0147-16-2745 | | <u>43,476</u> |
| Total U.S. Department of Education | | | | <u>754,678</u> |
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed Through New York State Education Department: | | | | |
| Child Nutrition Cluster | | | | |
| National School Lunch Program | 10.555 | Not Applicable | | 156,534 |
| School Breakfast Program | 10.553 | Not Applicable | | 39,080 |
| Food Distribution | 10.555 | Not Applicable | | <u>33,049</u> |
| Total Child Nutrition Cluster | | | | <u>228,663</u> |
| Total U.S. Department of Agriculture | | | | <u>228,663</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 983,341</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards and accompanying independent auditor's report on the financial statements.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by Schalmont Central School District at Rotterdam (the District), which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

The Schalmont Central School District at Rotterdam is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2017, the District received food commodities totaling \$33,049.

5. INDIRECT COST RATE

The Schalmont Central School District did not elect to use the 10% de minimus cost rate because the major program (10.553 and 10.555) is exempt from the provisions of the OMB cost principles.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

yes no
 yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

yes no
 yes none reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major programs:

CFDA Number(s)

10.553 and 10.555

Name of Federal Program or Cluster

National School Lunch Program and
School Breakfast Program (Child
Nutrition Cluster)

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Material Weakness

2017-001 Adjustments

Criteria: To accurately present the financial position of the District, general ledger accounts should be reconciled and monitored throughout the year by management. The accuracy of financial data is crucial to the budget development process.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section II: Financial Statement Findings

Material Weakness

2017-001 Adjustments

Condition: A prior period adjustment of \$722,232 was required to accurately reflect the issuance and repayment of bond anticipation notes within the General Fund and Capital Projects Fund. Adjusting journal entries were proposed as part of the audit process to reflect actual year end balances of accrued liabilities, interfund revenues and expenditures, due to/from other funds, deferred taxes, accounts payable, debt service expenditures and bond anticipation notes redeemed from appropriations.

Context: In the prior year's audit we issued a management letter comment recommending the District work to reconcile the schedule of project expenditures for the capital projects fund to final cost reports filed with the New York State Education Department (SED). The District performed that reconciliation resulting in the prior period adjustment as well as identification of excess bond proceeds. The excess bond proceeds were promptly transferred out of the Capital Projects Fund and into the General Fund within the reserve for debt and will be held there to pay down the corresponding debt. The other adjustments were identified as part of our auditing procedures.

Effect: As it relates to the prior period adjustment, the amount budgeted in the General Fund for debt service payments was inflated which can impact the budget development process and potentially result in the District appropriating more fund equity than necessary or possible causing the tax levy to be higher than necessary. As it relates to the adjusting journal entries proposed as part of the audit process, accrued liabilities were understated by \$151,989, deferred taxes were overstated by \$89,913, accounts payable was understated by \$32,140, debt services expenditures and bond anticipation notes redeemed from appropriations were both overstated by \$91,380, the due to/from other funds accounts did not net to zero as required, the interfund revenue and expenditure accounts also did not net to zero as required and the asset and liability balances within the trust and agency fund were overstated by \$10,748.

Cause: See the context above for the cause of the prior period adjustment. The adjusting journal entries identified during the audit appear to be caused by transactions being inaccurately recorded during the year.

Recommendation: As it relates to the prior period adjustment, the District has already heeded the prior year's recommendation by performing the reconciliation and making the appropriate adjustments to the general ledger. We recommend going forward that the District promptly reconcile the general ledger to final cost reports filed with SED. We also recommend the District reconcile the activity of any BANs with the general ledger accounts to be sure balances are not inflated in the future. As it relates to preventing future audit adjustments, general ledger accounts should be reconciled by management throughout the year or at a minimum at the end of the year to ensure the balances accurately reflect the activity that occurred. Periodically a report should be run to ensure interfund revenue and expenditures balances net to zero and due to/from balances net to zero.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section II: Financial Statement Findings

Material Weakness

2017-001 Adjustments

Views of Responsible Officials and Planned Corrective Actions: Regarding the adjusting entries recommended by Marvin & Company, these entries have been made and all accounts have been corrected. The due to/from was not in balance due to the creation of the HA fund for the Capital project. This fund was not appearing on the due to/from report until it was realized by Marvin. The Journal Entry to correct this and the TA overstatement was completed by the treasurer and submitted to Marvin for approval during their audit. Part of these errors was due to the change from Finance Manager to nVision software mid-year. Regarding the other entries, there was some confusion regarding the process of posting these entries. Moving forward, we will be more diligent in reconciling these accounts on a monthly basis.

Noncompliance Material to the Financial Statements

2017-002 Compliance with New York State Real Property Tax Law

Criteria: NYS Real Property Tax Law Section 1318 limits the amount of unassigned fund equity a District can have to no more than 4% of the General Fund budget for the ensuing fiscal year.

Condition: The unassigned fund equity of the General Fund exceeds 4% of the 2017-18 General Fund budget.

Context: As part of audit procedures, the compliance with the NYS Real Property Tax Law 1318 limits is reviewed.

Effect: The District was not in compliance with NYS Real Property Tax Law.

Cause: The cleanup of the capital projects funds and moving of excess funds.

Recommendation: The District should continue to implement the District plan to address and use the excess in future years.

Views of Responsible Officials and Planned Corrective Actions: The District plans to use these additional funds when developing its 2018-19 budget to offset a one-time expense. This one-time expenditure is the result of the proposition 2005 bond state aid ending in the 2017-18 budget and the expense dropping off in the 2018-19 budget. The use of these funds will solve the one-time gap and allow the district to get its undesignated fund equity back to a level at or below the 4% amount.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

Significant Deficiencies

2017-003 Paid Lunch Equity Calculation

Information on Federal Program: National School Lunch Programs and School Breakfast Program CFDA No. 10.553 and CFDA No. 10.555

Criteria: Paid Lunch Equity requirement 7 CFR section 210.14(a) or 210.14(f)

Condition: We noted the paid lunch equity calculation was not performed.

Questioned Costs: None.

Context: The paid lunch equity calculation is required to be performed on an annual basis by November 15th of each year and submitted December 15th. The paid lunch equity calculation had not been performed for the 2016/2017 school year. We completed a calculation of the paid lunch equity for the 2016/2017 school year and determined that the compliance requirement had not been met.

The paid lunch equity calculation had been performed for the 2017/2018 school year, with proposed adjustments to the meal costs to be in compliance with the 2017/2018 calculation.

Effect: Non-compliance with the paid lunch equity requirement.

Cause: Policies and procedures were not in place in regards to performing the paid lunch equity calculation. The District also experienced turnover in the position responsible for performing the calculation.

Perspective Information: The Child Nutrition Director position experienced turnover during the 2016/2017 school year.

Repeat Finding: No

Recommendation: We recommend that the District continue to complete the paid lunch equity calculation on an annual basis and maintain the calculation as supporting documentation for compliance purposes.

Views of the Responsible Officials and Planned Corrective Actions: The District has hired a new Food Service Director for the 16/17 school year who will perform the calculation to ensure compliance with this requirement in the future.

**SCHALMONT CENTRAL SCHOOL DISTRICT AT ROTTERDAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

- Finding 2016-001** Compliance with New York State Real Property Tax Law
Condition: The unassigned fund equity of the General Fund exceeds 4% of the 2016-17 General Fund budget.
Current Status
Comment was repeated as item 2017-002.
- Finding 2016-002** Eligibility
Condition: During our testing one application for free or reduced price meals could not be located.
Current Status
The District implemented procedures and applications for free and reduced meals were maintained. Therefore, finding not required to be repeated.
- Finding 2016-003** Eligibility
Condition: During our testing two applications for free or reduced price meals were not approved by Child Nutrition Director
Current Status
The District implemented procedures and applications for free and reduced meals were maintained and approved by the Child Nutrition Director. Therefore finding not required to be repeated.