

**SCHOHARIE CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2016**

SCHOHARIE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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To the President and Members
of the Board of Education of the
Schoharie Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Schoharie Central School District (the District), as of and for the year ended June 30, 2016, 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 Schoharie Central School District, as of June 30, 2016, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1-A8, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schoharie Central School District's basic financial statements. The supplemental information on pages D1 - D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is 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 September 13, 2016, 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
September 13, 2016

SCHOHARIE CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2016

The following discussion and analysis of the Schoharie Central School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2016. This discussion and analysis are 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

- Governmental funds total assets of the District were \$10,318,466.
- Governmental funds total assets were \$1,446,502 higher than June 30, 2015.
- Total net position increased by \$1,199,121 over the course of the year.

Overview of the Financial Statements

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

- The first two 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 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 \$2,018,458 at the close of the most recent fiscal year.

Net position

| <u>Governmental Activities</u> | <u>6/30/16</u> | <u>6/30/15</u> |
|--|----------------------|----------------------|
| Current and other assets | \$ 13,202,905 | \$ 12,823,308 |
| Capital assets | <u>15,534,729</u> | <u>15,432,185</u> |
| Total assets | \$ <u>28,737,634</u> | \$ <u>28,255,493</u> |
| Deferred Outflows of Resources | \$ <u>2,178,414</u> | \$ <u>1,472,943</u> |
| Total Assets and Deferred Outflows | \$ <u>30,916,048</u> | \$ <u>29,728,436</u> |
| Long-term liabilities | \$ 23,206,528 | \$ 22,251,920 |
| Other liabilities | <u>3,880,079</u> | <u>3,087,345</u> |
| Total liabilities | \$ <u>27,086,607</u> | \$ <u>25,339,265</u> |
| Deferred Inflows of Resources | \$ <u>1,810,983</u> | \$ <u>3,569,834</u> |
| Net position | | |
| Invested in capital assets, net of related debt | \$ 5,856,862 | \$ 4,437,450 |
| Restricted | 3,791,635 | 3,898,525 |
| Unrestricted | <u>(7,630,039)</u> | <u>(7,516,638)</u> |
| Total Net Position (Deficit) | \$ <u>2,018,458</u> | \$ <u>819,337</u> |

Net position increased during the year by \$1,199,121.

The District has earmarked funds from restricted funds for the following purposes:

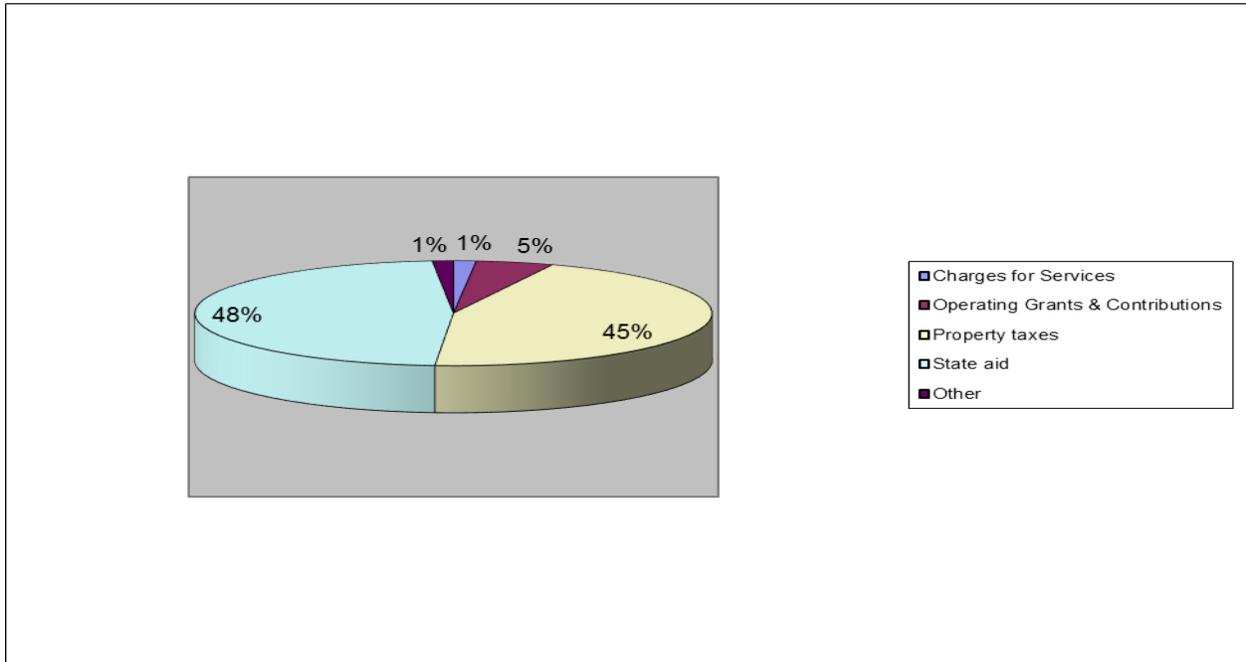
- *Tax Certiorari Reserve \$2,533,736.* The District has set aside funds to pay for future potential certiorari claims.
- *Reserve for Employee Benefit Accrued Liability of \$495,931.* The District will use these funds to pay accrued employee benefits due upon termination of the employee's service.
- *Reserve for Retirement Contributions of \$389,690.* The District will use these funds to finance retirement contributions.
- *Unemployment Insurance Reserve of \$36,669.* The District will use these funds 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.

- *Insurance Reserve of \$166,000.* The District will use these funds to fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions.
- *Workers' Compensation Reserve of \$156,144.* The District will use these funds to pay for compensation benefits and other expenses as authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for administering this self-insurance program.
- *Debt Service Reserve of \$13,465.* The District will use these funds to pay for debt service.

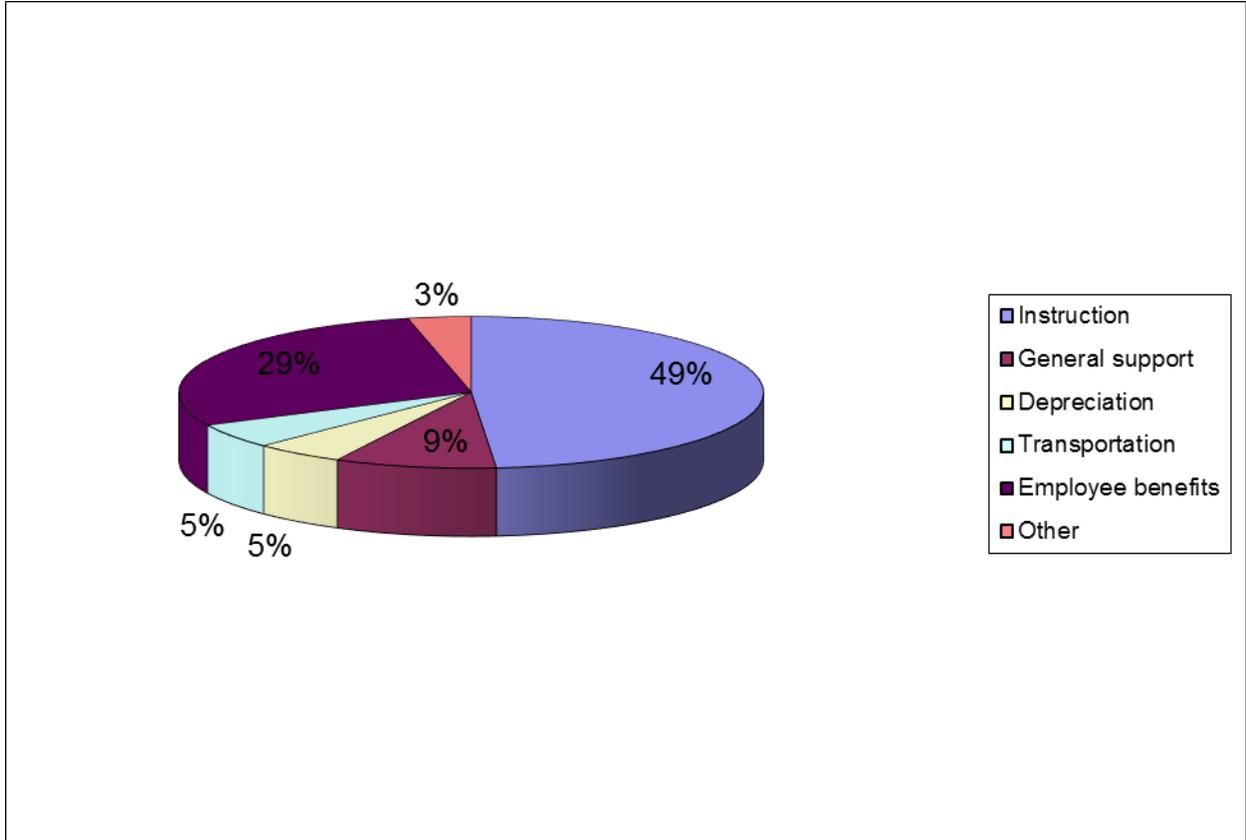
Statement of Activities

| Revenues | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Program revenues | | |
| Charges for services | \$ 315,803 | \$ 203,483 |
| Operating Grants | 1,084,205 | 963,271 |
| General revenues | | |
| Property taxes | 10,036,951 | 9,899,625 |
| State aid | 10,632,129 | 9,554,185 |
| Other | <u>292,316</u> | <u>339,757</u> |
| Total Revenues | \$ <u>22,361,404</u> | \$ <u>20,960,321</u> |
| Expenses | | |
| Instruction | \$ 10,290,040 | \$ 9,750,035 |
| General Support | 1,890,612 | 1,882,529 |
| Depreciation-Unallocated | 1,055,821 | 1,042,625 |
| Transportation | 1,119,700 | 1,207,905 |
| Employee benefits | 6,066,421 | 5,662,275 |
| Other | <u>739,329</u> | <u>1,416,458</u> |
| Total Expenses | \$ <u>21,161,923</u> | \$ <u>20,961,827</u> |
| Increase (Decrease) in net position | \$ 1,199,121 | \$ (1,506) |
| Cumulative Change in Accounting Principle 2015 | <u>-</u> | <u>1,196,670</u> |
| Total Increase (Decrease) in Net Position | \$ <u>1,199,121</u> | \$ <u>1,195,164</u> |

Sources of Revenues for Fiscal Year 2016



Expenses for Fiscal Year 2016



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 and investments totaled \$5,888,760. \$3,778,170 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 revised budgetary estimates by \$169,223, primarily due to nonresident tuition. Expenditures and encumbrances were under revised budgetary estimates by \$1,904,549 or 8.4%, the majority of which was due to employee benefits and instruction.

The District has pursued a careful conservative program of maintaining as close as possible to a 4% unrestricted General Fund balance as allowed by law. The District remained within budget. Budgets have been adjusted as and when authorized by law.

Capital Asset and Debt Administration

Capital Assets

By the end of 2016, the District had invested \$15,534,729, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$1,055,821, while building improvements, construction in process and additions to equipment and furniture amounted to \$1,158,365 net of deletions/disposals.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2016 and 2015:

| | <u>6/30/16</u> | <u>6/30/15</u> |
|---|----------------------|----------------------|
| Land | \$ 62,602 | \$ 62,602 |
| Construction in progress | - | 85,097 |
| Buildings and improvements | 12,532,983 | 12,594,443 |
| Furniture and equipment | <u>2,939,144</u> | <u>2,690,043</u> |
| Total Capital Assets, Net of Depreciation | \$ <u>15,534,729</u> | \$ <u>15,432,185</u> |

Long-Term Debt

At June 30, 2016, the District had \$21,966,193 in general obligation bonds and other long-term liabilities, an increase of .1 % from last year. (More detailed information about the District's long-term liabilities is presented in Note 4B, II to the financial statements.)

The following summarizes long-term liabilities at June 30, 2016 and 2015:

| | <u>6/30/16</u> | <u>6/30/15</u> |
|-----------------------------|----------------------|-------------------|
| General Obligation Debt | \$ 8,277,845 | \$ 9,760,654 |
| Other | <u>13,688,348</u> | <u>12,164,495</u> |
| | | \$ |
| Total Long-Term Liabilities | \$ <u>21,966,193</u> | <u>21,925,149</u> |

FACTORS BEARING ON THE DISTRICT’S FUTURE FISCAL HEALTH

At the time these financial statements were prepared and audited, the Schoharie Central School District was aware of the following factors that could possibly affect its financial position over the course of the next few years.

- The total fund balance in the general fund at June 30, 2016 was \$7.101 million; an increase, in percentage terms, of slightly more than 10% compared to the prior fiscal year. The fund balance amount consists of \$3.778 million reserved balance; \$1.578 million against the tax levy; \$245,000 for carryover encumbrances, and an net unassigned balance of \$1.499 million available for future use against the 2017-18 tax levy, and possibly other purposes pending approval by the voters of the district in May 2017 to fund a Capital Reserve account and also to subsidize the food service program. This fund balance amount indicates that the financial foundation of the school district is solid, which shows the District to be in good stead for future school fiscal years. The five-year financial plan places the fiscal picture of the school district in solid shape assuming that the state aid trend continues as in recent years (state aid comprises 48% of the current revenue budget), and the major cost centers remain stable within current trends.
- For the 2016-2017 school year, the District’s budget is 2.26 percent higher than the previous school year. The Board of Education has been careful with the allocation of scarce resources in recent difficult economic times. The budget was developed in compliance with the tax levy limitation requirement.
- Schoharie Central School District, along with other municipalities in the county, was petitioned by a large utility company that challenged its property assessments. The District joined forces with the other municipalities to ward off this challenge by engaging the services of a special attorney and a property appraiser. In order to protect the assets of the District against a potential huge loss in tax revenue, the Board of Education several years ago established and funded a Tax Certiorari Reserve account within the General Fund. The current amount is \$2.533 million. NOTE: The local municipalities reached a settlement with the gas transmission system and approved a 15-year PILOT (payment in-lieu of taxes) agreement. By law, the District will subsequently be returning the funds from this reserve to the taxpayers and/or be placing available funds in a voter-approved Capital Reserve account to mitigate the local share of a future capital project.
- The personal income wealth level of District residents is appreciably lower than the statewide average. An average wealth school district in New York State has an Income Wealth Index (IWI) indicator of 1.0. Schoharie Central SD has an IWI ratio of .725, according to the latest data from the State Aid and Financial Planning Office.

- Although not directly part of the District's annual operating budget, the school Food Service Dept., which is accounted for in a separate monetary fund, has a cumulative deficit of approximately \$400,000. The District would have to raise property taxes by 1% each year over the course of five years in order to erase that deficit. To do so would cause the District to exceed the Tax Levy Limitation. The District is exploring options through which to stop the deficit growth. Currently, there is an allocation in the General Fund operating budget of \$38,000 to subsidize part of the anticipated operating deficit for 2016-17.

Even though the above factors have the potential to impact the District's financial status within the next few years, District officials and the Board have been extremely diligent by saving money through such programs as: joining a health insurance coalition to stabilize rates; self-funding employee and retiree medical prescriptions; alternative-funding the cost of workers' compensation; and educating as many students in their own building at Schoharie Central School District instead of busing them to special schools outside of the District, thus saving on tuition payments and additional transportation costs. Additionally, the District completed a project which is designed to save over \$135,000 a year in reduced consumption of electricity, heating oil and propane.

The District has an experienced business management team which has resulted in responsible fiscal stewardship. The Assistant Superintendent has 34 years experience in school district and county government financial management; the District Treasurer has been with the school district for over 30 years; other staff in the office have been District employees for a total of 27 years. The finances are such that the District presently has the financial resources to meet its long-term debt obligations for the next several years, and as well provide a sound basic education to its students. This solid fiscal and management capacity has been recognized by the bond rating agencies. The ratings are: Moody's "A1"; and Standard and Poor's "A+ Stable".

CONTACTING THE SCHOOL DISTRICT

This report is designed to provide members of the school district community, citizens, taxpayers, investors and creditors with a general overview of the Schoharie Central School District's finances, and to demonstrate the District's ability to properly account for the public money it receives and spends.

If you have questions about this report or if you need additional information, please contact:

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rbonaker@schoharie.k12.ny.us

**SCHOHARIE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

| | |
|---|---------------|
| Current Assets: | |
| Cash - Unrestricted | \$ 2,529,691 |
| Cash - Restricted | 3,778,170 |
| Investments in Securities | 749,298 |
| Accounts Receivable | 97,092 |
| Due From Fiduciary Funds | 65 |
| State and Federal Aid Receivable | 807,498 |
| Due From Other Governments | 384,187 |
| Inventories | 17,008 |
| Capital Assets, net | 15,534,729 |
| Net Pension Asset, Proportionate Share | 4,839,896 |
| Total Assets | 28,737,634 |
| Deferred Outflows of Resources | |
| Loss on Refunding | 53,691 |
| Pensions | 2,124,723 |
| Total Deferred Outflows of Resources | 2,178,414 |
| Total Assets and Deferred Outflows of Resources | \$ 30,916,048 |

LIABILITIES

| | |
|---|------------|
| Current Liabilities: | |
| Accounts Payable | \$ 75 |
| Accrued Liabilities | 103,143 |
| Due to Other Governments | 29,740 |
| Accrued Interest Payable | 109,786 |
| Due to Teachers' Retirement System | 1,002,425 |
| Due to Employees' Retirement System | 82,100 |
| Bond Anticipation Notes | 2,552,810 |
| Long-Term Liabilities - Due and Payable Within One Year | |
| Bonds | 1,100,000 |
| Installment Purchase Debt | 240,629 |
| Long-Term Liabilities - Due and Payable After One Year | |
| Bonds | 5,720,000 |
| Unamortized Bond Premium | 78,978 |
| Installment Purchase Debt | 1,191,929 |
| Compensated Absences | 495,931 |
| Other Post Employment Benefits Payable | 13,192,417 |
| Net Pension Liability, Proportionate Share | 1,186,644 |
| Total Liabilities | 27,086,607 |
| Deferred Inflows of Resources | |
| Pensions | 1,810,983 |

NET POSITION

| | |
|---|---------------|
| Net Investment in Capital Assets | 5,856,862 |
| Restricted | 3,791,635 |
| Unrestricted | (7,630,039) |
| Total Net Position | 2,018,458 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 30,916,048 |

See accompanying notes to financial statements.

B1.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

| | | Program Revenues | | Net (Expense) |
|--|------------------------|---------------------------|-------------------------|----------------------------|
| | <u>Expenses</u> | <u>Charges for</u> | <u>Operating</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants</u> | <u>Changes in</u> |
| | | | | <u>Net Position</u> |
| FUNCTIONS/PROGRAMS | | | | |
| General support | \$ 1,890,612 | \$ - | \$ - | \$ (1,890,612) |
| Instruction | 10,290,040 | 176,449 | 849,385 | (9,264,206) |
| Pupil transportation | 1,119,700 | - | - | (1,119,700) |
| Community service | 2,771 | - | - | (2,771) |
| Employee benefits | 6,066,421 | - | - | (6,066,421) |
| Debt service - interest | 305,855 | - | - | (305,855) |
| Depreciation - unallocated | 1,055,821 | - | - | (1,055,821) |
| School lunch program | 430,703 | 139,354 | 234,820 | (56,529) |
| | <u>\$ 21,161,923</u> | <u>\$ 315,803</u> | <u>\$ 1,084,205</u> | <u>(19,761,915)</u> |
| GENERAL REVENUES | | | | |
| Real property taxes | | | | 10,036,591 |
| Use of money and property | | | | 11,752 |
| Sale of property and compensation for loss | | | | 45,429 |
| State sources | | | | 10,632,129 |
| Federal sources | | | | 48,802 |
| Miscellaneous | | | | 186,333 |
| | | | | <u>20,961,036</u> |
| Total General Revenues | | | | <u>20,961,036</u> |
| Change in Net Position | | | | 1,199,121 |
| Total Net Position - Beginning of Year | | | | <u>819,337</u> |
| Total Net Position - End of Year | | | | <u>\$ 2,018,458</u> |

See accompanying notes to financial statements.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | General Fund | Special Aid Fund | School Lunch Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---------------------|---------------------|-------------------------|-----------------------------|-------------------------|--------------------------------|
| Assets | | | | | | |
| Cash - Unrestricted | \$ 1,361,292 | \$ 17 | \$ 15,594 | \$ 1,152,788 | \$ - | \$ 2,529,691 |
| Cash - Restricted | 3,778,170 | - | - | - | - | 3,778,170 |
| Temporary Investments | | | | | | |
| Investments in Securities | 749,298 | - | - | - | - | 749,298 |
| State and Federal Receivable, net | 346,649 | 444,942 | 15,907 | - | - | 807,498 |
| Due From Other Governments | 384,187 | - | - | - | - | 384,187 |
| Due From Other Funds | 1,942,057 | - | - | - | 13,465 | 1,955,522 |
| Accounts Receivable | 92,596 | - | 4,496 | - | - | 97,092 |
| Inventories | - | - | 17,008 | - | - | 17,008 |
| Total Assets | \$ 8,654,249 | \$ 444,959 | \$ 53,005 | \$ 1,152,788 | \$ 13,465 | \$ 10,318,466 |
| Liabilities | | | | | | |
| Accounts and Retainages Payable | \$ 75 | \$ - | \$ - | \$ - | \$ - | \$ 75 |
| Accrued Liabilities | 103,143 | - | - | - | - | 103,143 |
| Due to Other Funds | - | 444,959 | 425,796 | 1,084,702 | - | 1,955,457 |
| Due to Other Governments | 29,563 | - | 177 | - | - | 29,740 |
| Due to Teachers' Retirement System | 1,002,425 | - | - | - | - | 1,002,425 |
| Due to Employees' Retirement System | 82,100 | - | - | - | - | 82,100 |
| Bond Anticipation Notes | - | - | - | 2,542,845 | - | 2,542,845 |
| Total Liabilities | 1,217,306 | 444,959 | 425,973 | 3,627,547 | - | 5,715,785 |
| Deferred Inflows of Resources | 335,619 | - | - | - | - | 335,619 |
| Total Deferred Inflows of Resources | 335,619 | - | - | - | - | 335,619 |
| Fund Equity (Deficiency) | | | | | | |
| Fund Equity (Deficiency): | | | | | | |
| Non-spendable | - | - | 17,008 | - | - | 17,008 |
| Restricted | 3,778,170 | - | - | - | 13,465 | 3,791,635 |
| Committed | - | - | - | - | - | - |
| Assigned | 1,824,108 | - | - | - | - | 1,824,108 |
| Unassigned | 1,499,046 | - | (389,976) | (2,474,759) | - | (1,365,689) |
| Total Fund Equity (Deficiency) | 7,101,324 | - | (372,968) | (2,474,759) | 13,465 | 4,267,062 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency) | \$ 8,654,249 | \$ 444,959 | \$ 53,005 | \$ 1,152,788 | \$ 13,465 | \$ 10,318,466 |

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

| | |
|---|---------------------|
| Fund equity of the governmental funds | \$ 4,267,062 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 15,534,729 |
| Accrued interest expense is reported under the accrual basis | (109,786) |
| Receivables expected to be collected after the 60 day availability period are reported as deferred inflows in the governmental funds but as revenue in the entity-wide statements | 335,619 |
| Reporting of premium on BANs payable | (9,965) |
| Net Pension Asset | 4,839,896 |
| Net Pension Liability | (1,186,644) |
| Net Deferred (inflows)/outflows related to net pension asset/liability adjustments | 313,740 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | (21,966,193) |
| Net Position of Governmental Activities | \$ 2,018,458 |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>General</u> | <u>Special Aid Fund</u> | <u>School Lunch Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-----------------------------|----------------------------------|--------------------------------------|----------------------------------|---|
| Revenues | | | | | | |
| Real Property Taxes and Tax Items | \$ 10,036,591 | \$ - | \$ - | \$ - | \$ - | \$ 10,036,591 |
| Charges for Services | 176,449 | - | - | - | - | 176,449 |
| Use of Money and Property | 11,749 | - | 3 | - | - | 11,752 |
| Sale of Property and Compensation for Loss | 45,429 | - | - | - | - | 45,429 |
| Miscellaneous | 142,659 | - | 897 | 42,777 | - | 186,333 |
| State Sources | 10,638,741 | 448,729 | 8,457 | - | - | 11,095,927 |
| Federal Sources | 48,802 | 400,656 | 226,363 | - | - | 675,821 |
| Sales | - | - | 139,354 | - | - | 139,354 |
| Total Revenues | <u>21,100,420</u> | <u>849,385</u> | <u>375,074</u> | <u>42,777</u> | <u>-</u> | <u>22,367,656</u> |
| Expenditures | | | | | | |
| General Support | 1,992,815 | - | 216,171 | - | - | 2,208,986 |
| Instruction | 9,452,944 | 837,096 | - | - | - | 10,290,040 |
| Pupil Transportation | 1,081,475 | 38,225 | - | - | - | 1,119,700 |
| Community Services | 2,771 | - | - | - | - | 2,771 |
| Employee Benefits | 5,741,496 | - | 51,436 | - | - | 5,792,932 |
| Debt Service | 2,101,680 | - | - | - | - | 2,101,680 |
| Cost of Sales | - | - | 163,096 | - | - | 163,096 |
| Capital Outlay | - | - | - | 1,056,162 | - | 1,056,162 |
| Total Expenditures | <u>20,373,181</u> | <u>875,321</u> | <u>430,703</u> | <u>1,056,162</u> | <u>-</u> | <u>22,735,367</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>727,239</u> | <u>(25,936)</u> | <u>(55,629)</u> | <u>(1,013,385)</u> | <u>-</u> | <u>(367,711)</u> |
| Other Financing Sources and (Uses) | | | | | | |
| Interfund Transfers, net | (45,824) | 25,936 | 28,000 | 252 | (8,364) | - |
| Proceeds of Bond Issuance | - | - | - | 32,468 | 9,965 | 42,433 |
| BANs Redeemed From Appropriations | - | - | - | 302,809 | - | 302,809 |
| Total Other Sources (Uses) | <u>(45,824)</u> | <u>25,936</u> | <u>28,000</u> | <u>335,529</u> | <u>1,601</u> | <u>345,242</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses) | <u>681,415</u> | <u>-</u> | <u>(27,629)</u> | <u>(677,856)</u> | <u>1,601</u> | <u>(22,469)</u> |
| Fund Equity, Beginning of Year | 6,419,909 | - | (345,339) | (1,796,903) | 11,864 | 4,289,531 |
| Fund Equity, End of Year | <u>\$ 7,101,324</u> | <u>\$ -</u> | <u>\$ (372,968)</u> | <u>\$ (2,474,759)</u> | <u>\$ 13,465</u> | <u>\$ 4,267,062</u> |

See accompanying notes to financial statements.

B4.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

| | | |
|--|-------------------------|-------------------------|
| Net changes in fund balance - total governmental funds | \$ | (22,469) |
| <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 \$ | (1,055,821) |
| | Capital outlays | <u>1,243,121</u> |
| | | 187,300 |
| <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> | | |
| | | (84,756) |
| <p>Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2015/16 results in more expense.</p> | | |
| | | (25,761) |
| <p>Proceeds of serial bond principal and premiums on a BAN is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net position.</p> | | |
| | | (42,433) |
| <p>Bond anticipation notes redeemed from appropriations is revenue in governmental funds, but not in the statement of activities.</p> | | |
| | | (302,809) |
| <p>Repayments of long-term debt are recorded as expenditures in the governmental funds but are recorded as payments of liabilities in the statement of net position.</p> | | |
| | | 1,805,139 |
| <p>Certain revenues in the statement of activities do not meet the availability criteria required for recognition in a governmental fund and are reported as deferred inflows in governmental funds.</p> | | |
| | | (6,612) |
| <p>Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| | | (324,925) |
| <p>Amortization of bond premium, issuance costs and loss on refunding bonds is an adjustment to interest expense in the statement of activities.</p> | | |
| | | <u>16,447</u> |
| Change in net position - governmental activities | \$ | <u><u>1,199,121</u></u> |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016**

| | Agency | Private Purpose Trusts |
|----------------------------------|---------------|---------------------------------------|
| ASSETS | | |
| Cash - unrestricted | \$ 481,337 | \$ - |
| Cash - restricted | 48,388 | 48,878 |
| Total Assets | \$ 529,725 | \$ 48,878 |
| LIABILITIES | | |
| Extraclassroom activity balances | \$ 48,388 | \$ - |
| Due to other funds | 65 | - |
| Other liabilities | 481,272 | - |
| Total Liabilities | \$ 529,725 | \$ - |
| NET POSITION | | |
| Reserved for scholarships | | \$ 48,878 |

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

| | | Private Purpose Trusts |
|----------------------------------|--|---------------------------------------|
| ADDITIONS | | |
| Gifts and contributions | | \$ 500 |
| Investment earnings | | 10 |
| Total Additions | | 510 |
| DEDUCTIONS | | |
| Scholarships and awards | | 1,254 |
| Change in Net Position | | (744) |
| Net Position - Beginning of year | | 49,622 |
| Net Position - End of year | | \$ 48,878 |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Schoharie Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of eight 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 description of certain entities included in the District's reporting entity.

The Extraclassroom Activity Fund

The extraclassroom activity fund 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. Separate audited financial statements (cash basis) of the extraclassroom activity fund can be found at the District's business office, located at 136 Academy Drive, Schoharie, New York 12157. The District accounts for assets held as an agent for various student organizations in an agency fund.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

The Schoharie Central School 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.

BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 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, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in the New York State Education Law, 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, 2016, the District was billed \$1,800,941 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$734,848. 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 non-exchange 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 program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to 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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

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

The following are the District governmental funds:

1. 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.

2. Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditure for specified purposes. Special Revenue Funds include the following funds:

a. Special Aid Fund

Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State grants.

b. School Lunch Fund

The School Lunch Fund is used to account for transactions of breakfast (if necessary) and lunch programs.

3. 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, or equipment.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

4. Debt Service Fund

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

Other Fund Type:

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. There are two classes of fiduciary funds:

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

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

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

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

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 sixty days after the end of the fiscal year, except for real property taxes, which are considered to be available when levied.

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

E. 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 revenues are 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 19, 2015. Taxes are collected during the period September 1 to November 1, 2015.

II. Enforcement

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

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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

1. 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 line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not located in the original budget (when permitted by law). 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. There were no supplemental appropriations during the current year.
- 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 funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

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

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

J. Accounts Receivable

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

K. Inventories and Prepaid Items

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

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

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Interfund Transactions

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

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

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.

M. Short-Term Debt

The District may issue revenue anticipation notes (RANs) or tax anticipation notes (TANs), in anticipation of the receipt of revenue. These notes are recorded as a liability in 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 an insufficient or no provision is 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 BAN's issued for capital purposes are converted to long-term financing within five years after the original issue date.

N. Fund Equity - Reservations and Designations

District-wide statements

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

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

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

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.

Fund statements

In the governmental funds statements there are five classifications of fund balance:

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$17,008.

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

Reserve for Employee Benefit Accrued Liability

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

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. This 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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Balance - Reservations and Designations

Tax Certiorari Reserve

Tax Certiorari Reserve (Education Law §3651.1-a) is 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.

Insurance Reserve

The Insurance Reserve (GML §6-n) is used to fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments.

Workers' Compensation

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

Retirement Contribution Reserve

The Retirement Contribution Reserve (GML §6-r) is used for the payment of "retirement contributions," which are defined as all or any portion of the amount payable to the New York State and Local Employees' Retirement System. This 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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Balance - Reservations and Designations

Debt Service

Used to account for unspent proceeds of debt restricted for debt service.

Restricted fund balance includes the following:

| | |
|------------------------------------|---------------------|
| General Fund: | |
| Employee Benefit Accrued Liability | \$ 495,931 |
| Workers' Compensation | 156,144 |
| Retirement Contributions | 389,690 |
| Unemployment Insurance | 36,669 |
| Insurance | 166,000 |
| Tax Certiorari | 2,533,736 |
| Debt Service Fund | <u>13,465</u> |
| Total Restricted Funds | <u>\$ 3,791,635</u> |

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2016.

Assigned – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$245,609. Appropriated fund balance in the General Fund amounted to \$1,578,499.

Reserve for 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 assigned fund balance in all funds, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Purpose of Encumbrances

| | |
|----------------------|-------------------|
| General Fund | |
| General support | \$ 35,712 |
| Instruction | 193,127 |
| Pupil Transportation | 11,500 |
| Employee benefits | <u>5,270</u> |
| | <u>\$ 245,609</u> |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Balance - Reservations and Designations

Unassigned – Includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District exceeded the 4% limitation at June 30, 2016 by \$583,564.

Order of Use of Fund Balance:

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

O. Post Employment Benefits

In addition to providing the retirement benefits described in Note 4.B.I, the District provides post employment 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 as governed by Board of Education Policy. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently, 180 retirees meet those eligibility requirements. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post employment benefits is shared between the District and the retired employee. The District recognized the cost of providing benefits for its retirees for fiscal year 2016 by recording approximately \$1,638,000, its share of insurance premiums, as an expenditure in fiscal year 2016.

P. Payables, Accrued Liabilities and Long-Term Obligations

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

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Payables, Accrued Liabilities and Long-Term Obligations

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.

Q. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life In Years |
|----------------------------|-------------------------------------|--------------------------------|---|
| Land | \$ 500 | N/A | N/A |
| Buildings and improvements | 500 | SL | 20-50 |
| Furniture and equipment | 500 | SL | 5-8 |

R. 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, other post employment benefits, potential contingent liabilities, and useful lives of long-term assets.

S. 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 a 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.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Vested Employee Benefits

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.

T. Implementation of New Accounting Standards

The District has adopted all current Statements of the GASB that are applicable. At June 30, 2016, the District implemented the following new standards issued by GASB:

GASB has issued Statement 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

U. 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 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending June 30, 2017.

GASB has issued Statement 74, *Financial Reporting for Post employment Benefit Plans Other Than Pension Plans*, effective for the year ending June 30, 2017.

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

GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued Statement 78, *Pensions Provided through Certain Municipal Employer Defined Benefit Pension Plans* for the year ended June 30, 2017.

GASB has issued Statement 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement 14* for the year ended June 30, 2017.

GASB has issued Statement 81, *Irrevocable Split Interest Agreements* effective for the year ended June 30, 2017.

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

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

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

Total fund equity of the District's governmental funds differs 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.

Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities and Changes in Net Position

Differences between the governmental funds statement of revenues, expenditures and changes in fund equity and the statement of activities and changes in net position fall into one of four broad categories. The amounts shown below represent:

Long-Term Revenue and Expense Differences

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

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 in the statement of activities and changes in net position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities and changes in net position.

SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities and changes in net position as incurred, and 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.

3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Deficit Fund Balances

There was a deficit fund balance in the capital projects fund of \$2,474,759. This deficit is caused by financing the project with bond anticipation notes. When the bond anticipation notes are refinanced with bonds, this deficit will be removed.

There was a deficit fund balance in the school lunch fund of \$372,968. This deficit will be removed in the future when the fund becomes profitable or when the General Fund budgets for an interfund transfer to cover this deficiency.

4. 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, 2016 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investments

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 institutions 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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Risks and Uncertainties with Investments

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statement of net position.

Restricted Cash and Investments

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at year-end consists of the following:

| <u>Fund</u> | <u>Amount</u> | <u>Restriction</u> |
|----------------------------|---------------------|----------------------------------|
| General Fund | \$ 36,669 | Unemployment Insurance Reserve |
| | 389,690 | Retirement Contributions Reserve |
| | 156,144 | Workers' Compensation Reserve |
| | 495,931 | Reserve for Compensated Absences |
| | 166,000 | Insurance Reserve |
| | <u>2,533,736</u> | Tax Certiorari Reserve |
| Total General Fund | <u>\$ 3,778,170</u> | |
| Trust and Agency | \$ 48,388 | Extraclassroom Activity Funds |
| Private Purpose Trust Fund | <u>48,878</u> | Scholarships and Memorials |
| Total Fiduciary | <u>\$ 97,266</u> | |

II. Interfund Transactions

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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Transactions

Interfund transactions and balances at June 30, 2016 are as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> | <u>Interfund Revenues</u> | <u>Interfund Expenditures</u> |
|----------------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$ 1,942,057 | \$ - | \$ 8,364 | \$ 54,188 |
| Special Aid Fund | - | 444,959 | 25,936 | - |
| School Lunch Fund | - | 425,796 | 28,000 | - |
| Debt Service Fund | 13,465 | - | - | 8,364 |
| Capital Projects Fund | <u>-</u> | <u>1,084,702</u> | <u>252</u> | <u>-</u> |
| Total Governmental Activities | 1,955,522 | 1,955,457 | 62,552 | 62,552 |
| Fiduciary Fund | <u>-</u> | <u>65</u> | <u>-</u> | <u>-</u> |
| Totals | <u>\$ 1,955,522</u> | <u>\$ 1,955,522</u> | <u>\$ 62,552</u> | <u>\$ 62,552</u> |

III. Capital Assets

Capital asset balances and activity for the year ended June 30, 2016 are as follows:

| | <u>Balance July 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30</u> |
|---|---------------------------|-------------------|-------------------|----------------------------|
| Governmental Activities | | | | |
| Capital assets that are not depreciated: | | | | |
| Construction in progress | \$ 85,097 | \$ - | \$ 85,097 | \$ - |
| Land | <u>62,602</u> | <u>-</u> | <u>-</u> | <u>62,602</u> |
| Total Non-depreciable Capital Assets | <u>147,699</u> | <u>-</u> | <u>-</u> | <u>62,602</u> |
| Capital assets that are depreciated: | | | | |
| Buildings and improvements | 22,547,669 | 635,761 | - | 23,183,430 |
| Furniture and equipment | <u>7,145,518</u> | <u>692,457</u> | <u>198,054</u> | <u>7,639,921</u> |
| Total Depreciable Capital Assets | <u>29,693,187</u> | <u>1,328,218</u> | <u>198,054</u> | <u>30,823,351</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 9,953,226 | 697,221 | - | 10,650,447 |
| Furniture and equipment | <u>4,455,475</u> | <u>358,600</u> | <u>113,298</u> | <u>4,700,777</u> |
| Total Accumulated Depreciation | <u>14,408,701</u> | <u>1,055,821</u> | <u>113,298</u> | <u>15,351,224</u> |
| Total Depreciable Cost, Net | <u>\$ 15,432,185</u> | <u>\$ 272,397</u> | <u>\$ 169,853</u> | <u>\$ 15,534,729</u> |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

IV. Deferred Outflows and Inflows of Resources

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

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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The system is governed by a 10 member Board of Trustees. 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 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 NYSSTR 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. This is a cost-sharing multiple-employer retirement system. 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 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 or found at www.osc.state.ny.us/retire/publications/index.php.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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:

| | <u>ERS</u> | <u>TRS</u> |
|---------|------------|--------------|
| 2015-16 | \$ 366,730 | \$ 1,227,001 |
| 2014-15 | 381,413 | 1,118,743 |
| 2013-14 | 420,875 | 820,949 |

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

Pension Liabilities

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. 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, 2015 | June 30, 2014 |
| Net pension asset/(liability) | \$(1,186,614) | \$4,839,896 |
| District's portion of the Plan's total net pension asset/(liability) | 0.007% | 0.047% |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Expense

For the year ended June 30, 2016, the District recognized its proportionate share of pension expense of \$423,914 for ERS and \$320,173 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|--|---------------------------------------|-------------------|--------------------------------------|---------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experiences | \$ 5,966 | \$ - | \$ 140,653 | \$ 134,134 |
| Changes of assumptions | 316,434 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | 703,965 | - | - | 1,529,916 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 54,318 | (3,400) | - | 6,280 |
| Contributions subsequent to the measurement date | <u>82,100</u> | <u>965,340</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,162,783</u> | <u>\$ 961,940</u> | <u>\$ 140,653</u> | <u>\$ 1,670,330</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, 2017 for ERS and June 30, 2016 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: | | |
| 2016 | \$ - | \$ (617,952) |
| 2017 | 239,297 | (617,952) |
| 2018 | 239,297 | (617,952) |
| 2019 | 239,297 | 253,555 |
| 2020 | 222,139 | (17,597) |
| Thereafter | - | (49,032) |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. 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, 2016 | June 30, 2015 |
| Actuarial valuation date | April 1, 2015 | June 30, 2014 |
| Interest rate | 7.0% | 8.0% |
| Salary scale | 3.8% | 4.01% - 10.91%* |
| Decrement tables | April 1, 2010 - March 31, 2015 System's Experience | July 1, 2005 - June 30, 2010 System's Experience |
| Inflation rate | 2.5% | 3.0% |
| Projected Cost of Living Adjustments | 1.3% annually | 1.625% annually |

*TRS salary scale differs based on age and gender and have been calculated based upon recent NYSTRS member experience. See the following projected increases:

| | <u>Age</u> | <u>Female</u> | <u>Male</u> |
|----------------------------|------------|---------------|-------------|
| Projected salary increases | 25 | 10.35% | 10.91% |
| | 35 | 6.26 | 6.27 |
| | 45 | 5.39 | 5.04 |
| | 55 | 4.42 | 4.01 |

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, 2005 - June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2014 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, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. 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 2016</u> | <u>Long-term Expected real rate of return 2016</u> |
|----------------------------|---------------------------------------|--|
| Asset Class: | | |
| Domestic equities | 38% | 7.30% |
| International equities | 13 | 8.55 |
| Private Equity | 10 | 11.00 |
| Real estate | 8 | 8.25 |
| Absolute return strategies | 3 | 6.75 |
| Opportunistic portfolio | 3 | 8.60 |
| Real assets | 3 | 8.65 |
| Bonds and mortgages | 18 | 4.00 |
| Cash | 2 | 2.25 |
| Inflation-Indexed bonds | <u>2</u> | 4.00 |
| Total | <u>100%</u> | |

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

| <u>TRS</u> | <u>Target Allocation 2014</u> | <u>Long-term Expected real rate of return 2014</u> |
|----------------------------------|---------------------------------------|--|
| Asset Class: | | |
| Domestic equities | 37% | 6.5% |
| International equities | 18 | 7.7 |
| Real estate | 10 | 4.6 |
| Alternative investments | <u>7</u> | 9.9 |
| Total equities | <u>72</u> | |
| Domestic fixed income securities | 17 | 2.1 |
| Global fixed income securities | 2 | 1.9 |
| Mortgages | 8 | 3.4 |
| Short-term | <u>1</u> | 1.2 |
| Total fixed income | <u>28</u> | |
| Total | <u>100%</u> | |

* Real rates of return are net of the long-term inflation assumption of 2.3% for 2014.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. 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 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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) calculated using the discount rate of 7% for ERS and 8% 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 one percentage point lower (6% for ERS and 7% for TRS) or one percentage point higher (8% for ERS and 9% 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) | \$ (2,675,729) | \$ (1,186,614) | \$ 71,624 |
| TRS | 1% Decrease <u>(7.0%)</u> | Current Assumption <u>(8.0%)</u> | 1% Increase <u>(9.0%)</u> |
| Employer's proportionate share of the net pension asset/(liability) | \$ (330,143) | \$ 4,839,896 | \$ 9,248,854 |

Changes in assumptions

Changes in 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. During the measurement periods, there were no changes in assumptions.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Collective Pension Expense

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on 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, 2016 is \$438,779 for ERS and \$320,960 for TRS.

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, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$82,100.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 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, 2016 amounted to \$965,340.

II. Indebtedness

1. 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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

1. Short-Term Debt

Transactions in short-term debt are summarized below:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> |
|----------------------------------|------------------------------|---------------------|-------------------|---------------------------|
| BAN Maturing 11/12/2016 at 1.29% | \$ 58,779 | \$ - | \$ 58,779 | \$ - |
| BAN Maturing 11/12/2016 at 1.29% | 108,286 | - | 54,142 | 54,144 |
| BAN Maturing 11/12/2016 at 1.29% | 165,462 | - | 55,154 | 110,308 |
| BAN Maturing 11/1/2016 at 1.50% | 689,585 | - | 29,297 | 660,288 |
| BAN Maturing 11/12/2016 at 1.29% | 211,186 | - | 52,797 | 158,389 |
| BAN Maturing 11/12/2016 at 1.29% | 263,200 | - | 52,640 | 210,560 |
| BAN Maturing 11/12/2016 at 1.29% | - | 264,446 | - | 264,446 |
| BAN Maturing 11/1/2016 at 1.50% | - | 1,084,710 | - | 1,084,710 |
| Premium on BAN | <u>3,500</u> | <u>9,965</u> | <u>3,500</u> | <u>9,965</u> |
| | <u>\$ 1,499,998</u> | <u>\$ 1,359,121</u> | <u>\$ 306,309</u> | <u>\$ 2,552,810</u> |

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

| | |
|---|------------------|
| Interest paid | \$ 21,897 |
| Less interest accrued in the prior year | (16,499) |
| Plus interest accrued in the current year | 23,221 |
| Less amortization of BAN premium | <u>(3,500)</u> |
| Total Expense | <u>\$ 25,119</u> |

2. Long-Term Debt

a. 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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

2. Long-Term Debt

a. Serial Bonds

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

| | |
|--|-------------------|
| Interest paid | \$ 274,645 |
| Less interest accrued in the prior year | (67,526) |
| Plus current year accrued interest | 86,565 |
| Less amortization of deferred amounts on refunding deferred expenses and bond premium | <u>(12,948)</u> |
| Total Expense | <u>\$ 280,736</u> |

b. Other Long-Term Debt

In addition to the above long-term debt, the District had the following noncurrent liabilities:

Compensated Absences - Represent the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Installment Purchase Debt - Represents the remaining installments due on the energy performance contract and capital leases.

Other Post employment Benefits - Represents the net liability for other post employment benefits calculated in accordance with GASB 45 (See Note 6).

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

3. Changes

The changes in the District's indebtedness during the year ended June 30, 2016, are summarized as follows:

| <u>Fund/Type</u> | <u>Balance July 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30</u> |
|---|---------------------------|---------------------|---------------------|----------------------------|
| Government activities: | | | | |
| Bonds and notes payable: | | | | |
| General obligation debt: | | | | |
| Construction bonds | \$ 8,090,000 | \$ - | \$ 1,270,000 | \$ 6,820,000 |
| Plus - Bond premium | 119,413 | - | 40,435 | 78,978 |
| Less - Unamortized loss on refunding* | (81,179) | - | (27,488) | (53,691) |
| Installment purchase - energy performance contract | 1,606,460 | - | 208,293 | 1,398,167 |
| Installment purchase - other | <u>25,960</u> | <u>32,468</u> | <u>24,037</u> | <u>34,391</u> |
| Total bonds and long term debt | <u>9,760,654</u> | <u>32,468</u> | <u>1,515,277</u> | <u>8,277,845</u> |
| Other liabilities | | | | |
| Compensated absences | 474,165 | 21,766 | - | 495,931 |
| Other-post employment benefits | <u>11,690,330</u> | <u>1,502,087</u> | <u>-</u> | <u>13,192,417</u> |
| Total long-term liabilities | <u>\$ 21,925,149</u> | <u>\$ 1,556,321</u> | <u>\$ 1,515,277</u> | <u>\$ 21,966,193</u> |

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

The above liabilities are liquidated by the general fund.

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

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

4. 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, 2016</u> |
|------------------------------------|----------------------------|-----------------------|----------------------|----------------------------------|
| Serial Bonds | | | | |
| Construction Bond | 2007 | 2022 | 3.75 - 4.10% | \$ 810,000 |
| Construction Bond | 2009 | 2025 | 4.00 - 4.25% | 1,380,000 |
| Construction Bond – 2013 Refunding | 2013 | 2020 | 2.00 - 3.00% | 3,050,000 |
| Construction Bond | 2014 | 2028 | 2.00 - 3.00% | 1,580,000 |
| | | | | <u>\$ 6,820,000</u> |
| Installment Purchase Debt | | | | |
| Energy performance contract | 2011 | 2021 | 3.50 - 4.00% | \$ 1,398,167 |
| Truck | 2014 | 2017 | 4.89% | 1,923 |
| Mower | 2016 | 2019 | 5% | 32,468 |
| | | | | <u>\$ 1,432,558</u> |

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$3,285,000 of bonds outstanding are considered defeased.

The following is a summary of maturing debt service requirements for bonds:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2017 | \$ 1,100,000 | \$ 197,018 | \$ 1,297,018 |
| 2018 | 1,140,000 | 162,358 | 1,302,358 |
| 2019 | 1,180,000 | 133,996 | 1,318,228 |
| 2020 | 1,205,000 | 138,228 | 1,343,228 |
| 2021 | 430,000 | 74,258 | 504,258 |
| 2022-2029 | <u>1,765,000</u> | <u>106,688</u> | <u>1,871,688</u> |
| Total | <u>\$ 6,820,000</u> | <u>\$ 812,546</u> | <u>\$ 7,632,546</u> |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

5. 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 do not exceed 10% of the average full valuation of taxable real estate within such District. At June 30, 2016 the District has exhausted 20.76% of its constitutional debt limit.

6. Capital Leases

The Schoharie Central School District is obligated under a lease accounted for as capital lease to finance the cost of energy efficiency improvements, the purchase of a truck, and the purchase of a mower. The net book value of assets under the capital leases were approximately \$1,410,000 at June 30, 2016.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2016.

| | Year Ending <u>June 30</u> | <u>Total</u> |
|--|---------------------------------------|---------------------|
| | 2017 | \$ 274,307 |
| | 2018 | 264,027 |
| | 2019 | 252,661 |
| | 2020 | 252,661 |
| | 2021 | 252,661 |
| | 2022-2029 | <u>252,659</u> |
| Minimum Lease Payments - Capital Lease | | 1,548,976 |
| Less: Amount representing interest at District's incremental borrowing rate | | <u>116,418</u> |
| Present Value - Minimum Lease Payments | | <u>\$ 1,432,558</u> |

III. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet - governmental funds arise when a potential revenue does not both the measurable and available criteria for recognition in the current period. The District has established a sixty day availability period.

5. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District has been named as defendant in various actions. A review of these actions by District management indicates that they are either fully covered by insurance or not substantial enough to materially affect the financial position of the District.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016**

5. COMMITMENTS AND CONTINGENCIES

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies or expenditures disallowed under the terms of the grant.

C. Risk Financing and Related Insurance

General Information

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

Workers' Compensation Insurance

The District participates in the Schoharie Area Workers' Compensation Plan, a risk sharing pool of ten area school districts formed by a trust agreement, to fund the costs of workers' compensation coverage through a group self-insurance program.

The District does not purchase insurance for the risk of losses for unemployment claims. Instead, the District manages its risks for these losses internally and accounts for these in the District's general fund, including provisions for unexpected and unusual claims.

Health Insurance Plan

The District participates in the New York State Municipal Benefit Coalition (NYSMBC), which is a not-for-profit organization formed under the auspices of the Capital Region BOCES. Member municipalities include the BOCES, Schoharie Central School District, and several other school districts in this region. The purpose of the coalition is to provide health insurance plans and employee wellness programs, with the aim of reducing health insurance claims and associated costs. Membership in this program should result in the curtailment of steep hikes in premium charges.

Through NYSMBC, the District's active and retired employees are enrolled in health and medical insurance covered offered by Blue Shield of Northeastern New York (BSNENY). Two plans are available: Par Plus, and a PPO (preferred provider option). Additionally, the District self-funds the cost of medical prescriptions through a PBM (pharmacy benefit manager), which is ESI (Express Scripts, Inc.).

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Plan Description

The District administers the post employment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and/or dental/vision benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) enrolled in District provided health care at time of retirement and 3) working .5 FTE or 30 hours a week and having at least 10 years of service under the New York State Teachers' or Employees' Retirement Systems, of which at least 5 such years must have been with the District. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. The cost of providing this benefit for 180 retirees was approximately \$1,638,000.

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".

Actuarial Methods and Assumptions

The District obtained an actuarial valuation dated July 1, 2015. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates about the future.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes is based on the substantive Plan (the Plan as understood by the District and the Plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and Plan members to that point. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial funding method used to calculate the costs of the Plan is known as the Projected Unit Credit Method. 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 for this group begins with the employee's date of employment and ends with the date on which the employee is expected to retire. The accrued liability for active employees is the portion of benefit liability attributed to service years to date. Normal cost is the amount of benefit liability attributed to the current employment year. Normal cost for retired employees is zero. The initial accrued liability is amortized over a 30-year period using the level dollar method. Actuarial gains and losses will be determined annually and amortized over a fixed 30-year period.

The following assumptions were used in the calculation: a) a 4% discount rate, b) health care trend is based on Society of Actuaries' Gretzen Model with an initial rate of 5.0% with a final rate of 3.84% c) mortality rates were developed by the Office of the Actuary of the New York Teachers' Retirement System and the Office of the Actuary for the New York State Employees' Retirement System, d) assumed that employees may retire at age 55 and considers that employees may elect to retire at different ages, e) coverage elections – it is assumed 50% of eligible male married employees will elect spousal coverage and 20% of eligible female married employees will elect spousal coverage, f) a payroll growth assumption of 4% and g) termination, retirement and disability assumptions based on a blend of assumptions for all employees under ERS and female employees under TRS.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table summarizes the Annual OPEB Cost:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Annual Required Contribution | \$ 3,113,756 | \$ 2,993,633 |
| Interest on Prior Net OPEB Obligation | 467,613 | 404,303 |
| Adjustment to ARC | <u>(440,445)</u> | <u>(380,814)</u> |
| OPEB Expense | <u>\$ 3,140,924</u> | <u>\$ 3,017,122</u> |
| Net OPEB Obligation at the beginning of the year | \$ 11,690,330 | \$ 10,107,584 |
| OPEB Expense | 3,140,924 | 3,017,122 |
| Net OPEB Contributions made during the fiscal year | <u>(1,638,837)</u> | <u>(1,434,376)</u> |
| Net OPEB Obligation at the end of the year | <u>\$ 13,192,417</u> | <u>\$ 11,690,330</u> |
| Percentage of Expense Contributed | 52.2% | 47.5% |
| <i>Funded Status</i> | | |
| Accrued Liability at end of year | \$ 41,987,705 | |
| Plan Assets at end of year | <u>-</u> | |
| Unfunded Accrued Liability | <u>\$ 41,987,705</u> | |
| Percentage of Funded Accrued Liability | 0% | |

Prior years' comparative data is available and prior year trend information is presented below in accordance with GASB Statement No. 45:

| <u>Fiscal Year End</u> | <u>Annual OPEB Cost</u> | <u>Actual Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------|-------------------------|----------------------------|-------------------------------|----------------------------|
| 06/30/16 | \$3,140,924 | \$1,638,837 | 52.2% | \$ 13,192,417 |
| 06/30/15 | \$3,017,122 | \$1,434,376 | 47.5% | \$ 11,690,330 |
| 06/30/14 | \$3,075,396 | \$1,380,985 | 44.9% | \$ 10,107,584 |

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 13, 2016, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2016, have been incorporated into these statements herein.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Final Budget Variance with Actual</u> |
|--|----------------------------|-------------------------|----------------------|--|
| Revenues | | | | |
| Local Sources | | | | |
| Real Property Taxes | \$ 7,992,576 | \$ 7,992,576 | \$ 7,980,154 | \$ (12,422) |
| Real Property Tax Items | 2,052,827 | 2,052,827 | 2,056,437 | 3,610 |
| Nonproperty Taxes | - | - | - | - |
| Charges for Services | 39,350 | 39,350 | 176,449 | 137,099 |
| Use of Money and Property | 10,100 | 10,100 | 11,749 | 1,649 |
| Sale of Property and Compensation for Loss | 2,900 | 2,900 | 45,429 | 42,529 |
| Miscellaneous | 221,650 | 221,650 | 142,659 | (78,991) |
| Total Local Sources | 10,319,403 | 10,319,403 | 10,412,877 | 93,474 |
| State Sources | 10,562,158 | 10,562,158 | 10,638,741 | 76,583 |
| Federal Sources | 40,000 | 40,000 | 48,802 | 8,802 |
| Other Sources | | | | |
| Interfund Transfers | 18,000 | 18,000 | 8,364 | (9,636) |
| Total Revenue and Other Sources | 20,939,561 | 20,939,561 | 21,108,784 | \$ 169,223 |
| Appropriated Fund Balance | 1,637,966 | 1,637,966 | - | |
| Total Revenues, Other Sources and Appropriated Fund Balance | \$ 22,577,527 | \$ 22,577,527 | \$ 21,108,784 | |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

| | <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 | \$ 18,129 | \$ 16,129 | \$ 12,561 | \$ 285 | \$ 3,283 |
| Central Administration | 181,562 | 181,112 | 178,086 | - | 3,026 |
| Finance | 289,288 | 308,083 | 289,560 | 7,795 | 10,728 |
| Staff | 135,101 | 128,788 | 111,888 | 5,593 | 11,307 |
| Central Services | 1,437,564 | 1,461,967 | 1,236,504 | 20,624 | 204,839 |
| Special Items | 166,435 | 173,770 | 164,216 | 1,415 | 8,139 |
| Total General Support | <u>2,228,079</u> | <u>2,269,849</u> | <u>1,992,815</u> | <u>35,712</u> | <u>241,322</u> |
| Instruction | | | | | |
| Instruction, Administration & Improvement | 487,900 | 482,925 | 453,672 | 218 | 29,035 |
| Teaching - Regular School | 5,397,688 | 5,179,429 | 5,030,768 | 9,470 | 139,191 |
| Programs for Students with Disabilities | 2,373,846 | 2,384,835 | 2,075,959 | 142,186 | 166,690 |
| Occupational Education | 498,018 | 483,196 | 438,900 | - | 44,296 |
| Teaching - Special Schools | 52,500 | 47,523 | 42,307 | - | 5,216 |
| Instructional Media | 522,499 | 610,235 | 563,338 | 22,960 | 23,937 |
| Pupil Services | 912,030 | 935,650 | 848,000 | 18,293 | 69,357 |
| Total Instruction | <u>10,244,481</u> | <u>10,123,793</u> | <u>9,452,944</u> | <u>193,127</u> | <u>477,722</u> |
| Other Pupil Transportation | 1,464,639 | 1,447,784 | 1,081,475 | 11,500 | 354,809 |
| Community Services | 4,774 | 3,504 | 2,771 | - | 733 |
| Employee Benefits | 6,512,545 | 6,565,745 | 5,741,496 | 5,270 | 818,979 |
| Debt Service | | | | | |
| Debt Service Principal | 1,767,104 | 1,806,495 | 1,805,138 | - | 1,357 |
| Debt Service Interest | 302,905 | 304,176 | 296,542 | - | 7,634 |
| Total Other | <u>10,051,967</u> | <u>10,127,704</u> | <u>8,927,422</u> | <u>16,770</u> | <u>1,183,512</u> |
| Total Expenditures | <u>22,524,527</u> | <u>22,521,346</u> | <u>20,373,181</u> | <u>245,609</u> | <u>1,902,556</u> |
| Other Financing Uses | | | | | |
| Interfund Transfer | 53,000 | 56,181 | 54,188 | - | 1,993 |
| Total Expenditures and Other Uses | <u>\$ 22,577,527</u> | <u>\$ 22,577,527</u> | <u>20,427,369</u> | <u>\$ 245,609</u> | <u>\$ 1,904,549</u> |
| Net Change in Fund Balance | | | \$ 681,415 | | |
| Fund balance - beginning | | | 6,419,909 | | |
| Fund balance - ending | | | <u>\$ 7,101,324</u> | | |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 JUNE 30, 2016**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Valuation of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a percentage of Covered Payroll ((b-a)/c)</u> |
|---------------------------------|--|--|----------------------------------|---------------------------|----------------------------|--|
| 7/1/2015 | \$ - | \$41,987,705 | \$41,987,705 | 0% | \$9,681,474 | 433.7% |
| 7/1/2014 | \$ - | \$40,302,938 | \$40,302,938 | 0% | \$8,643,485 | 466.3% |
| 7/1/2013 | \$ - | \$41,195,642 | \$41,195,642 | 0% | \$8,432,914 | 488.5% |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2016**

ERS Pension Plan

| | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|
| Proportion of the net pension liability (asset) | 0.0073% | 0.0073% |
| Proportionate share of the net pension liability (asset) | \$ 1,186,644 | \$ 245,592 |
| Covered-employee payroll | \$ 2,219,998 | \$ 2,123,727 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | 53% | 12% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.70% | 97.90% |

TRS Pension Plan

| | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|
| Proportion of the net pension liability (asset) | 0.0466% | 0.0466% |
| Proportionate share of the net pension liability (asset) | \$ (4,839,896) | \$ (5,191,726) |
| Covered-employee payroll | \$ 8,229,550 | \$ 8,667,256 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | -59% | -60% |
| Plan fiduciary net position as a percentage of the total pension liability | 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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
SCHEDULES OF DISTRICT CONTRIBUTIONS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2016**

ERS Pension Plan

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| Contractually required contribution | \$ 366,730 | \$ 381,413 |
| Contributions in relation to the contractually required contribution | <u>(366,730)</u> | <u>(381,413)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 2,219,998 | \$ 2,123,727 |
| Contributions as a percentage of covered-employee payroll | 16.52% | 17.96% |

TRS Pension Plan

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|
| Contractually required contribution | \$ 1,227,001 | \$ 1,118,743 |
| Contributions in relation to the contractually required contribution | <u>(1,227,001)</u> | <u>(1,118,743)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 8,229,550 | \$ 8,667,256 |
| Contributions as a percentage of covered-employee payroll | 14.91% | 12.91% |

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.

**SCHOHARIE CENTRAL SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
 SCHEDULE OF SECTION 1318 REAL PROPERTY TAX LAW LIMIT CALCULATION
 FOR THE YEAR ENDED JUNE 30, 2016**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | | |
|--------------------------------|----|------------|
| Adopted Budget | \$ | 22,382,061 |
| Add: Prior year's encumbrances | | 195,466 |
| Original Budget | | 22,577,527 |
| Additions: | | |
| Budget Amendments | | - |
| Final Budget | \$ | 22,577,527 |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | | |
|---|----|------------|
| 2016-17 [subsequent year's] voter-approved expenditure budget | \$ | 22,887,057 |
| Maximum allowed (4% of 2016-17 [subsequent year's] budget) | | 915,482 |

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

| | | |
|---------------------------------|----|-----------|
| Unrestricted Fund Balance: | | |
| Committed Fund Balance | \$ | - |
| Assigned Fund Balance | | 1,824,108 |
| Unassigned Fund Balance | | 1,499,046 |
| Total Unrestricted Fund Balance | | 3,323,154 |

| | | |
|--|--|-----------|
| Less: | | |
| Appropriated Fund Balance | | 1,578,499 |
| Insurance Recovery Reserve | | - |
| Tax Reduction Reserve | | - |
| Encumbrances included in Committed and Assigned Fund Balance | | 245,609 |
| Total Adjustments | | 1,824,108 |

| | | |
|--|----|-----------|
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | \$ | 1,499,046 |
|--|----|-----------|

| | | |
|-------------------|--|-------|
| Actual percentage | | 6.55% |
|-------------------|--|-------|

* 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.

SCHOHARIE CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

| PROJECT TITLE | Original Appropriation | Revised Appropriation | Expenditures | | | Unexpended Balance | Methods of Financing | | | | Fund Balance June 30, 2016 |
|---|---------------------------|--------------------------|----------------------|---------------------|----------------------|-----------------------|---|--------------------------------|---------------------|---------------------|----------------------------------|
| | | | Prior Years | Current Year | Total | | Proceeds of Installment Purchase Debt | Serial Installment Bonds | Local Sources | Total | |
| | | | | | | | | | | | |
| Capital Project #1 EXCEL Project | \$ 2,482,000 | \$ 2,537,134 | \$ 2,537,134 | \$ - | \$ 2,537,134 | \$ - | \$ 2,079,942 | \$ 347,058 | \$ 110,134 | \$ 2,537,134 | \$ - |
| Capital Project #2 Bus Purchase | 1,962,021 | 1,962,021 | 1,697,324 | 264,697 | 1,962,021 | - | 1,233,275 | - | 42,777 | 1,276,052 | (685,969) |
| Capital Project #3 Asbestos Project | 455,000 | 199,657 | 199,657 | - | 199,657 | - | 36,650 | - | 106,618 | 143,268 | (56,389) |
| Capital Project #4 Renovations Project | 1,850,000 | 2,249,684 | 2,594,873 | - | 2,594,873 | (345,189) | - | 1,800,000 | 425,835 | 2,225,835 | (369,038) |
| Generator Project | 675,350 | 675,350 | 675,350 | - | 675,350 | - | - | - | 675,349 | 675,349 | (1) |
| Installment Purchase Debt - Truck | 39,899 | 39,899 | 39,899 | 39,398 | 79,297 | (39,398) | 72,367 | - | - | 72,367 | (6,930) |
| Bus Garage Phase I (Tank) | 376,000 | 510,805 | 510,805 | - | 510,805 | - | 38,363 | - | 145,366 | 183,729 | (327,076) |
| Bus Garage Project Phase II | 437,000 | 302,195 | 27,445 | 9,643 | 37,088 | 265,107 | - | - | - | - | (37,088) |
| High School Roof | 100,000 | 110,000 | 104,410 | - | 104,410 | 5,590 | - | - | - | - | (104,410) |
| High School Renovations | 984,710 | 804,628 | 60,320 | 663,415 | 723,735 | 80,893 | - | - | - | - | (723,735) |
| Elementary School Renovations | - | 85,114 | 85,114 | 69,155 | 154,269 | (69,155) | - | - | - | - | (154,269) |
| High School Renovations | - | 9,854 | | 9,854 | 9,854 | - | - | - | - | - | (9,854) |
| Energy Performance Contract | 2,079,148 | 2,114,563 | 2,114,563 | - | 2,114,563 | - | 2,079,148 | 35,415 | - | 2,114,563 | - |
| Totals | <u>\$ 11,441,128</u> | <u>\$ 11,600,904</u> | <u>\$ 10,646,894</u> | <u>\$ 1,056,162</u> | <u>\$ 11,703,056</u> | <u>\$ (102,152)</u> | <u>\$ 5,539,745</u> | <u>\$ 2,182,473</u> | <u>\$ 1,506,079</u> | <u>\$ 9,228,297</u> | <u>\$ (2,474,759)</u> |

**SCHOHARIE CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2016**

| | | |
|---|-----------|-------------------------|
| Capital Assets, Net | \$ | 15,534,729 |
| Add: | | |
| Unamortized deferred loss | \$ | 53,691 |
| Capital projects fund - cash and investments | | <u>1,152,788</u> |
| | | 1,206,479 |
| Deduct: | | |
| Bond anticipation notes payable | \$ | (2,552,810) |
| Short-term portion of bonds payable | | (1,100,000) |
| Long-term portion of bonds payable | | (5,720,000) |
| Unamortized bond premium | | (78,978) |
| Short-term portion of installment purchase debt | | (240,629) |
| Long-term portion of installment purchase debt | | <u>(1,191,929)</u> |
| | | <u>(10,884,346)</u> |
| Net Investment in Capital Assets | \$ | <u>5,856,862</u> |



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

A History of Shaping Futures

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

Kevin J. McCoy, CPA
Thomas W. Donovan, CPA
Frank S. Venezia, CPA
James E. Amell, CPA
Carol A. Hausamann, CPA
Daniel J. Litz, CPA
Karl F. Newton, CPA
Kevin P. O'Leary, CPA
Heather R. Lewis, CPA
Heather D. Patten, CPA

To the President and Members
of the Board of Education of
Schoharie Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Schoharie Central School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 13, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 is required to be reported under *Government Auditing Standards* and which is described below.

2016-001 Compliance with New York State Real Property Tax Law.

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 16/17 general fund budget.

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

Cause: The cumulative effect of expenditures being significantly under budget.

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

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

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of responsible officials and planned corrective actions: The District acknowledges that the unassigned fund balance exceeds 4% of the 2016-17 general fund budget. The District will use or otherwise reallocate the excess fund balance in order to not exceed the 4% limit for the fiscal year ending June 30, 2017.

District's Response to the Finding

The District's response to the finding identified in our audits is described above. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Latham, NY
September 13, 2016