

CANAJOHARIE CENTRAL SCHOOL DISTRICT

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Canajoharie Central School District
Canajoharie, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Canajoharie Central School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other post-employment benefits and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information on pages 51 through 52, as described in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of the District's internal control over financial reporting and 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.

WEST & COMPANY CPAs PC

Gloversville, New York
September 25, 2017

CANAJOHARIE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

FINANCIAL HIGHLIGHTS

The Canajoharie Central School District continues to exercise strategic management of the District's resources. Therefore, management believes that the District has the capacity to continue to adjust to the unpredictable nature of inequity in state aid distribution and the uncertainty of federal funding, while minimizing the effect upon the District's taxpayers.

The District continues to offer all curricular programs and student services. The District has been able to maintain curricular, music, art, and sports programs and enhance the learning experience through technology upgrades. This has been possible because of the strict management over other expenditures such as health insurance costs and utilities.

Although the District's unassigned fund balance is over the 4% legal limit, resources have been placed in several reserves, including the Capital Reserve for Bus Replacement and the Retirement Contribution Reserve. The District believes that allocating money to the reserves is important in planning for the unforeseeable future and the state aid reductions that might occur.

The District has budgeted a tax levy increase at or under the tax levy cap every year since the implementation of the tax cap. For the 2017-2018 and 2016-2017 fiscal years the tax levy increase is 0%, compared to 1.6% for the two prior years. For the 2013-2014 school year, the District was able to use a portion of the fund balance and only impose a 2% tax levy increase. Under the tax levy cap for the 2012-2013 school year, the District enacted a 2.5% tax levy increase.

The Teacher's Retirement and Employees Retirement contributions have decreased compared to significant increases over the last several years.

The District's facilities are in solid working order. The District no longer has any local debt for the new high school that was opened in 2001. The EXCEL project was completed in 2010-2011 and the District is now exploring a small capital project that includes heating system and roof upgrades, safety and security upgrades, and some small repairs and maintenance on all three buildings.

The District has taken advantage of every opportunity to refund bonds. In May, 2016, a refunding was done that resulted in a saving of approximately \$100,000 over the next ten years. This is in addition to other refundings: one in October, 2014 resulting in a savings of \$95,000 and one in 2012 with a savings of approximately \$100,000.

Canajoharie Central School District continues to be a member of the ONC BOCES Shared Business Office and uses the shared services offered to the District. This provides segregation of duties and streamlines certain business office functions. Currently the District shares a food service coordinator and a Curriculum Coach through BOCES and an Athletic Director with a neighboring district. The District also cuts costs by continuing to share sports programs and transportation with other neighboring districts.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the District-wide statements. The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

Table A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

Table A-1 Major Features of the District-wide and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The daily operating activities of the School District, such as instruction and special education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2

Condensed Statement of Net Position

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>% Change (Incr.: - Decr.)</u>
Assets			
Current and other assets	\$ 7,537,147	\$ 11,546,073	-34.7%
Capital assets	<u>27,118,916</u>	<u>28,403,851</u>	-4.5%
Total Assets	34,656,063	39,949,924	-13.3%
Deferred Outflows of Resources	4,965,936	2,106,442	135.7%
Liabilities			
Current liabilities	580,751	567,557	2.3%
Long-term liabilities	<u>20,739,043</u>	<u>21,460,454</u>	-3.4%
Total Liabilities	21,319,794	22,028,011	-3.2%
Deferred Inflows of Resources	1,099,156	2,607,719	-57.8%
Net Position			
Net investment in capital assets	14,999,899	14,656,055	2.3%
Restricted	2,595,208	2,574,986	0.8%
Unrestricted	<u>(392,058)</u>	<u>189,595</u>	-306.8%
Total Net Position	<u>\$ 17,203,049</u>	<u>\$ 17,420,636</u>	-1.2%

Changes in Net Position

The School District's 2017 revenue was \$22,749,834 (see Table A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 25% and 59%, respectively, of the total revenue raised (see Table A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

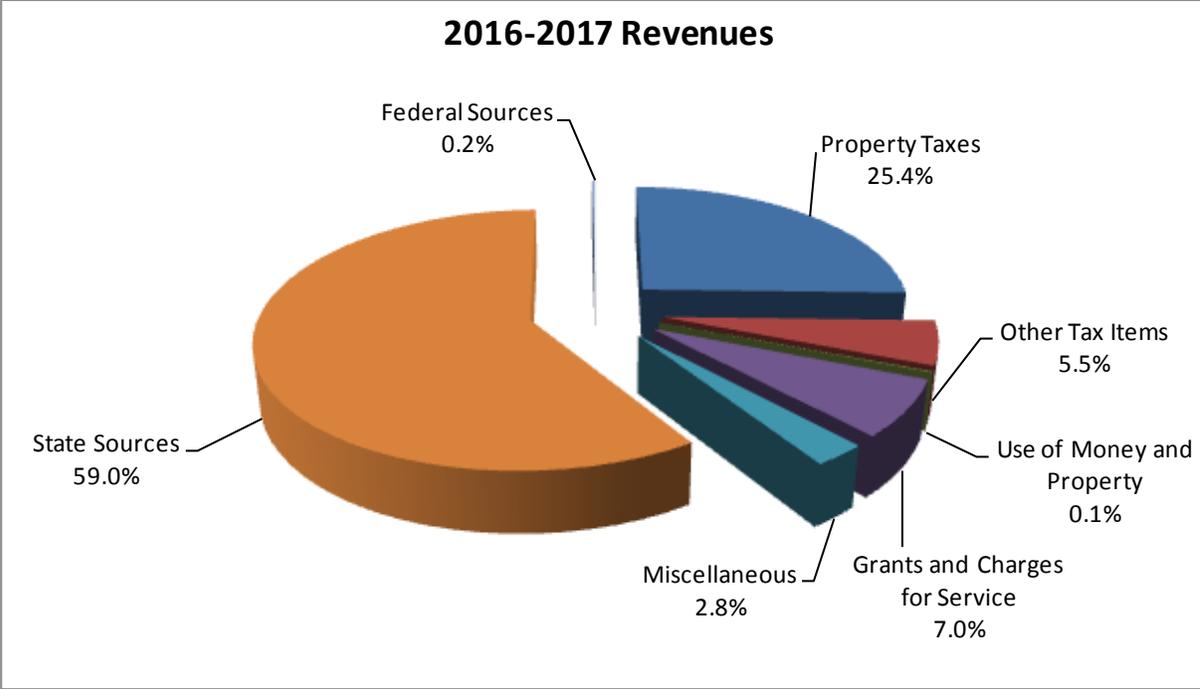
The total cost of all programs and services totaled \$22,967,421 for 2017. These expenses (77%) are predominantly for the education; supervision and transportation of students (see Table A-5). The School District's administrative and business activities accounted for 18% of total costs.

Net position decreased during the year by \$217,587.

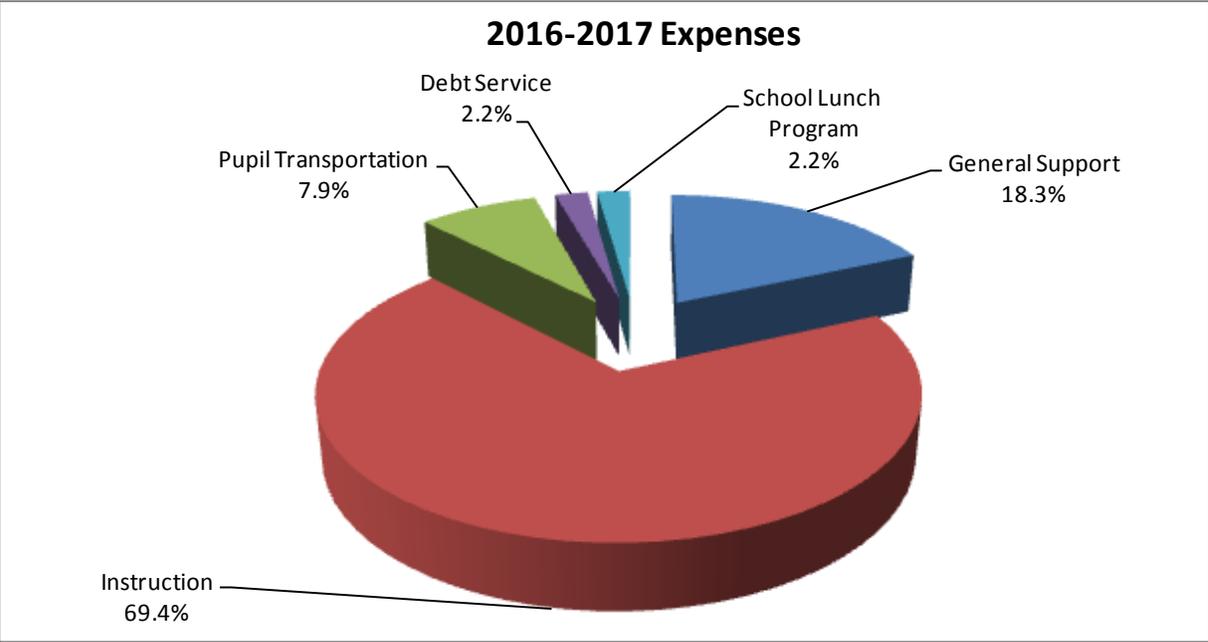
Table A-3**Changes in Net Position from Operating Results**

	Fiscal Year 2017	Fiscal Year 2016	% Change (Incr.: - Decr.)
Revenues			
Program Revenues			
Charges for services	\$ 261,658	\$ 258,720	1.1%
Operating grants and contributions	1,338,358	1,093,691	22.4%
General Revenues			
Property taxes	7,037,189	7,026,023	0.2%
State formula aid	13,414,295	12,989,248	3.3%
Federal sources	51,438	42,050	22.3%
Use of money and property	5,847	5,900	-0.9%
Sale of property and compensation for loss	13,448	4,445	202.5%
Miscellaneous	627,601	235,923	166.0%
Total Revenues	22,749,834	21,656,000	5.1%
Expenses			
General support	4,205,844	4,010,239	4.9%
Instruction	15,937,625	14,424,158	10.5%
Transportation	1,819,616	1,575,036	15.5%
Debt service	499,558	467,500	6.9%
Cost of sales – Lunch Program	504,778	426,034	18.5%
Total Expenses	22,967,421	20,902,967	9.9%
Total Increase (Decrease) in Net Position	\$ (217,587)	\$ 753,033	-128.9%

REVENUES – TABLE A-4



EXPENDITURES – TABLE A-5



Governmental Activities

Revenue for the School District's governmental activities totaled \$22,749,834 while total expenses were \$22,967,421, therefore, net position decreased by \$217,587.

Table A-6 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-6

Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2017	2016	Change (Incr.: -Decr.)	2017	2016	Change (Incr.: -Decr.)
General support	\$ 4,205,844	\$ 4,010,239	4.9%	\$ 4,205,844	\$ 4,010,239	4.9%
Instruction	15,937,625	14,424,158	10.5%	14,725,800	13,424,582	9.7%
Pupil transportation	1,819,616	1,575,036	15.5%	1,819,616	1,575,036	15.5%
Debt service - interest	499,558	467,500	6.9%	499,558	467,500	6.9%
Cost of sales - lunch program	504,778	426,034	18.5%	116,587	73,199	59.3%
Totals	\$22,967,421	\$20,902,967		\$21,367,405	\$19,550,556	

- The cost of all governmental activities for the year was \$22,967,421.
- The users of the School District's programs financed \$261,658 of the costs.
- The federal and state government grants financed \$1,338,358.
- The majority of costs were financed by the School District's taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$5,911,043. The 2016-2017 increase in overall fund balance was \$437,262. Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets and the current payments for debt, including the principal and interest payment.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General Fund.

The General Fund is the only fund for which a budget is legally adopted.

Revenue Variances

- The District received unanticipated 2015-2016 state aid revenue in September, 2016 in the form of Excess Cost Aid. There was a one-time BOCES refund from a new program that began in the prior year, along with the annual BOCES refund coming in higher than anticipated. The District received a one-time payment from the Workers Compensation Board and a one-time payment from another District for a new classroom that began in 2016-2017.

Expenditure Variances

- Teaching Regular School – Federal Grants were higher than the previous year, so a higher percentage of salaries were budgeted in the Federal Funds. Also, in 2016-2017 less was spent on substitute teachers.
- Employee Benefits – Expenses were less than the budgeted amount due to budgeting for unanticipated increases in the number of staff who participate in District sponsored health and dental plans. Also, Teachers Retirement expenses were less than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2017, the School District had \$27,118,916 (net of depreciation) invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment.

Capital Assets

Table A-7

Capital Assets (Net of Depreciation)

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Land	\$ 391,626	\$ 391,626
Buildings	24,948,607	26,194,891
Improvements other than buildings	1,087,023	1,087,023
Furniture and equipment	691,660	730,311
Totals	<u><u>\$ 27,118,916</u></u>	<u><u>\$ 28,403,851</u></u>

Long-Term Debt

As of June 30, 2017, the School District had \$18,533,658 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

Table A-8

Outstanding Long-Term Debt

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
General obligation bonds (financed with property taxes)	\$ 11,320,000	\$ 12,860,000
Other debt	7,213,658	6,310,830
Totals	<u><u>\$ 18,533,658</u></u>	<u><u>\$ 19,170,830</u></u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

As a small rural school district, Canajoharie Central School District's future is largely dependent on the fiscal status of the State of New York and the impact it has on state aid to public schools. State aid makes up almost 60% of the District's annual resources. The implementation of the tax levy cap continues to impact the future potential of the District to raise adequate funds to close the gap between state aid revenue and District expenditures. The continued addition of unfunded mandates such as the revised 3012-d APPR evaluation system, staff attendance records, and the Affordable Care Act requirements, redirect resources that were previously applied directly to students. The District continues to manage these requirements through staff attrition, reducing expenditures and strategic use of our fund balance. State aid must be distributed equitably if the District is to maintain the present educational offerings. An additional factor is the sale of the Beechnut Plant to a steel manufacturer. There has been no progress with this property and the loss of tax revenue of \$181,000 will be shifted to other taxpayers.

Enrollment is declining. The District graduated a class of 68 students in June, 2017, while the 2017-2018 kindergarten enrollment is 59 students. This decline is due to people moving out of the area. Since state aid is driven by enrollment, this will decrease the District's state aid in the future. The impact of the tax levy cap over the long term adds additional uncertainty to the fiscal picture. The District will need to continue to refine and extend long range fiscal planning to mitigate future uncertainty.

The District continues to explore ways that it can save money by combining forces with neighboring Districts. It shares several interscholastic sports teams with Fort Plain, including swimming, wrestling, cross-country running and football. It conducts a drama program with Fort Plain. The District shares an athletic director with Mayfield Schools. These efforts will likely expand into other areas as well. In 2015, the District negotiated a change in retiree health insurance that will net an increasing savings over the next 20 years.

Overall, the District's immediate future looks relatively stable. The long-range outlook depends on how the State of New York addresses the inequity in the school funding formula.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Canajoharie Central School District
Deborah P. Grimshaw, Superintendent
136 Scholastic Way
Canajoharie, New York 13317

CANAJOHARIE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

Cash		
Unrestricted	\$	2,272,439
Restricted		2,710,275
Receivables		
State and Federal aid		1,171,838
Due from fiduciary funds		143,406
Due from other governments		1,181,068
Other receivables		52,042
Inventories		6,079
Capital assets, net of depreciation		27,118,916
Total Assets		34,656,063

DEFERRED OUTFLOWS OF RESOURCES

Pensions		4,965,936
Total Deferred Outflows of Resources		4,965,936

LIABILITIES

Payables		
Accounts payable		509,938
Accrued liabilities		22,028
Due to fiduciary funds		7,086
Due to other governments		504
Unearned grant revenues		41,195
Long-term liabilities		
Due and payable within one year		
Due to Teachers' Retirement System		947,353
Due to Employees' Retirement System		98,000
Bonds payable		1,385,000
Due and payable after one year		
Bonds payable		9,935,000
Other post-employment benefits		7,125,366
Net pension liability - proportionate share		1,160,032
Compensated absences payable		88,292
Total Liabilities		21,319,794

DEFERRED INFLOWS OF RESOURCES

Pensions		300,139
Deferred bond premium		799,017
Total Deferred Inflows of Resources		1,099,156

NET POSITION

Net investment in capital assets		14,999,899
Restricted for:		
Reserve for employee benefit accrued liability		58,601
Reserve for debt service		179,797
Capital reserve		51,917
Capital reserve - buses		341,829
Repair reserve		63,478
Retirement contribution reserve		1,787,786
Unemployment insurance reserve		111,800
Unrestricted		(392,058)
Total Net Position	\$	17,203,049

See notes to basic financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 4,205,844	\$ 0	\$ 0	\$ (4,205,844)
Instruction	15,937,625	(166,749)	(1,045,076)	(14,725,800)
Pupil transportation	1,819,616	0	0	(1,819,616)
Debt service	499,558	0	0	(499,558)
School lunch program	504,778	(94,909)	(293,282)	(116,587)
Total Functions and Programs	<u>\$ 22,967,421</u>	<u>\$ (261,658)</u>	<u>\$ (1,338,358)</u>	<u>(21,367,405)</u>
GENERAL REVENUES				
Real property taxes				5,784,331
Other tax items				1,252,858
Use of money and property				5,847
Sale of property and compensation for loss				13,448
Miscellaneous				627,601
State sources				13,414,295
Federal sources				51,438
Total General Revenues				<u>21,149,818</u>
CHANGE IN NET POSITION				(217,587)
TOTAL NET POSITION - BEGINNING OF YEAR				<u>17,420,636</u>
TOTAL NET POSITION - END OF YEAR				<u>\$ 17,203,049</u>

See notes to basic financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash					
Unrestricted	\$ 2,193,124	\$ 54,597	\$ 24,718	\$ 0	\$ 2,272,439
Restricted	2,415,411	0	0	294,864	2,710,275
Due from other funds	805,004	0	6,904	0	811,908
Due from fiduciary funds	143,406	0	0	0	143,406
State and Federal aid receivable	336,651	813,419	21,768	0	1,171,838
Due from other governments	1,181,068	0	0	0	1,181,068
Other receivables	50,044	0	1,998	0	52,042
Inventories	0	0	6,079	0	6,079
TOTAL ASSETS	\$ 7,124,708	\$ 868,016	\$ 61,467	\$ 294,864	\$ 8,349,055
LIABILITIES					
Accounts payable	\$ 318,470	\$ 185,187	\$ 6,281	\$ 0	\$ 509,938
Accrued liabilities	22,028	0	0	0	22,028
Due to other funds	0	677,270	19,571	115,067	811,908
Due to fiduciary funds	7,086	0	0	0	7,086
Due to other governments	0	0	504	0	504
Due to Employees' Retirement System	98,000	0	0	0	98,000
Due to Teachers' Retirement System	947,353	0	0	0	947,353
Unearned grant revenue	32,636	5,559	3,000	0	41,195
Total Liabilities	1,425,573	868,016	29,356	115,067	2,438,012
FUND BALANCE					
Nonspendable - Inventory	0	0	6,079	0	6,079
Restricted					
Reserve for employee benefit accrued liability	58,601	0	0	0	58,601
Reserve for debt service	0	0	0	179,797	179,797
Capital reserve	51,917	0	0	0	51,917
Capital reserve - buses	341,829	0	0	0	341,829
Repair reserve	63,478	0	0	0	63,478
Retirement contribution reserve	1,787,786	0	0	0	1,787,786
Unemployment insurance reserve	111,800	0	0	0	111,800
Assigned	1,123,537	6,016	26,032	0	1,155,585
Unassigned	2,160,187	(6,016)	0	0	2,154,171
Total Fund Balance	5,699,135	0	32,111	179,797	5,911,043
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,124,708	\$ 868,016	\$ 61,467	\$ 294,864	\$ 8,349,055

See notes to basic financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION

JUNE 30, 2017

Total balance - governmental funds balance sheet (page 14)	\$ 5,911,043
Add:	
Land, building and equipment, net of accumulated depreciation	27,118,916
Pensions	4,965,936
Total	32,084,852
Deduct:	
Compensated absences	88,292
Other post-employment benefits	7,125,366
Deferred bond premium	799,017
Pensions	300,139
Net pension liability - proportionate share	1,160,032
Long-term bonds payable	11,320,000
Total	20,792,846
NET POSITION, GOVERNMENTAL ACTIVITIES	\$ 17,203,049

See notes to basic financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 5,784,331	\$ 0	\$ 0	\$ 0	\$ 5,784,331
Other tax items	1,252,858	0	0	0	1,252,858
Charges for services	166,749	0	0	0	166,749
Use of money and property	5,248	0	9	590	5,847
Sale of property and compensation for loss	13,448	0	0	0	13,448
Miscellaneous	588,067	0	39,534	0	627,601
State sources	13,414,295	542,661	9,504	0	13,966,460
Federal sources	51,438	502,415	265,089	0	818,942
Surplus food	0	0	18,689	0	18,689
Sales - school lunch	0	0	94,909	0	94,909
Total Revenues	<u>21,276,434</u>	<u>1,045,076</u>	<u>427,734</u>	<u>590</u>	<u>22,749,834</u>
EXPENDITURES					
General support	2,900,800	0	0	0	2,900,800
Instruction	9,984,196	1,008,096	0	0	10,992,292
Pupil transportation	1,233,829	21,173	0	0	1,255,002
Employee benefits	4,555,200	40,661	12,246	0	4,608,107
Debt service					
Principal	1,540,000	0	0	0	1,540,000
Interest	588,338	0	0	0	588,338
Cost of sales	0	0	428,033	0	428,033
Total Expenditures	<u>20,802,363</u>	<u>1,069,930</u>	<u>440,279</u>	<u>0</u>	<u>22,312,572</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>474,071</u>	<u>(24,854)</u>	<u>(12,545)</u>	<u>590</u>	<u>437,262</u>
OTHER FINANCING SOURCES AND USES					
Operating transfers in	0	24,854	15,000	0	39,854
Operating transfers (out)	(39,854)	0	0	0	(39,854)
Total Other Sources (Uses)	<u>(39,854)</u>	<u>24,854</u>	<u>15,000</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES	<u>434,217</u>	<u>0</u>	<u>2,455</u>	<u>590</u>	<u>437,262</u>
FUND BALANCE - BEGINNING OF YEAR	<u>5,264,918</u>	<u>0</u>	<u>29,656</u>	<u>179,207</u>	<u>5,473,781</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,699,135</u>	<u>\$ 0</u>	<u>\$ 32,111</u>	<u>\$ 179,797</u>	<u>\$ 5,911,043</u>

See notes to basic financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2017

REVENUES - STATEMENT OF ACTIVITIES		\$ 22,749,834
EXPENDITURES	\$ 22,312,572	
Add:		
Depreciation	1,358,750	
Increase in other post-employment benefits	901,497	
Pensions	95,865	
Increase in compensated absences	1,331	
	<u>2,357,443</u>	
Deduct:		
Change in fixed assets	73,815	
Amortization of bond premium	88,779	
Principal payments of long-term debt (net)	1,540,000	
	<u>1,702,594</u>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<u>22,967,421</u>
CHANGE IN NET POSITION		<u>\$ (217,587)</u>

See notes to basic financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash	\$ 56,704	\$ 221,877
Investments - market value	919,406	0
Due from governmental funds	0	7,086
Total Assets	<u>\$ 976,110</u>	<u>\$ 228,963</u>
LIABILITIES		
Due to governmental funds	\$ 0	\$ 143,406
Extraclassroom activity balances	0	61,755
Other liabilities	0	23,802
Total Liabilities	<u>0</u>	<u>\$ 228,963</u>
NET POSITION		
Reserved for scholarships	<u>\$ 976,110</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS	
Investment earnings	\$ 43,240
Gifts and contributions	125,862
Unrealized gain (loss)	73,723
Total additions	<u>242,825</u>
DEDUCTIONS	
Fiduciary fees	5,137
Other expenses	2,794
Scholarships and awards	153,780
Total deductions	<u>161,711</u>
CHANGE IN NET POSITION	81,114
NET POSITION - BEGINNING OF YEAR	<u>894,996</u>
NET POSITION - END OF YEAR	<u>\$ 976,110</u>

See notes to basic financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Canajoharie Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls, all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and other organizational entities determined to be includable in the District’s financial reporting entity. 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 an entity included in the District’s reporting entity.

i) The Extraclassroom Activity Funds

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

B. Joint Venture

The District is one of 15 component districts in the Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. Joint Venture – (Continued)

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 New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, 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, the District was billed \$2,643,516 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued \$-0- of serial bonds on behalf of BOCES. As of year end, the District had outstanding BOCES debt of \$-0-.

The District's share of BOCES aid amounted to \$1,181,068.

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

C. Basis of Presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

2. Funds Statements

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C. Basis of Presentation – (Continued)

2. Funds Statements – (Continued)

The District reports the following major governmental funds:

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

School Lunch Fund – This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted for expenditures of the school breakfast and lunch programs.

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

Debt Service Fund – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term 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 the related bonds outstanding.

The District reports the following fiduciary funds:

Fiduciary Fund – Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District and are not available to be used. There are two classes of fiduciary funds.

- i) **Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefit 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.
- ii) **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. Measurement Focus and Basis of Accounting

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D. Measurement Focus and Basis of Accounting – (Continued)

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

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

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

E. Property Taxes

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

Uncollected real property taxes are subsequently enforced by the Counties of Montgomery and Schoharie. 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.

F. 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.

G. Interfund Transactions

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G. Interfund Transactions – (Continued)

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

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

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash (and Cash Equivalents)/Investments

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

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

Investments are stated at fair value.

J. Accounts Receivable

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value 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 amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these nonliquid assets (inventories) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on direct costing, standard costing or normal costing methods, were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 2,500	Straight-line	40
Building improvements	2,500	Straight-line	50
Furniture and equipment	2,500	Straight-line	20
Vehicles	2,500	Straight-line	10
Computer equipment	2,500	Straight-line	5

M. 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. The 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. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

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 the following items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the District’s proportion of the collective net pension liability (ERS System) and net pension asset (TRS System) and difference during the measurement periods between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense.

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
District's proportionate share of the net pension asset (liability)	\$ (703,762)	\$ (456,270)
District’s portion of the Plan’s total net pension asset (liability)	0.0074898%	0.042601%
Change in proportion since the prior measurement date	(0.0001058)%	(0.00009)%

For the year ended June 30, 2017, the District’s recognized pension expense of \$313,327 for ERS and \$854,135 for TRS. At June 30, 2017 the District’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 17,636	\$ 0	\$ 106,870	\$ 148,222
Changes of assumptions	240,431	2,599,206	0	0
Net difference between projected and actual earnings on pension plan investments	140,570	1,025,935	0	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	50,083	5,304	13,232	31,815
District's contributions subsequent to the measurement date	32,636	854,135	0	0
Total	\$ 481,356	\$ 4,484,580	\$ 120,102	\$ 180,037

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

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

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

Year ended:	ERS	TRS
2018	\$ 142,864	\$ 313,836
2019	142,864	1,110,606
2020	134,746	862,708
2021	(91,856)	393,762
2022	0	455,660
Thereafter	0	0

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary scale	3.8%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
Inflation rate	System's experience 2.5%	System's experience 2.5%

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

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
<u>Asset type</u>		
Domestic equity	4.55%	6.10%
International equity	6.35	7.30
Real estate	5.80	5.40
Domestic fixed income securities	0	1.00
Global fixed income securities	0	0.80
Mortgages	0	3.10
Short-term	0	0.10
Private equity/alternative investments	7.75	9.20
Absolute return strategies	4.00	0
Opportunistic portfolio	5.89	0
Real assets	5.54	0
Bonds and mortgages	1.31	0
Cash	(0.25)	0
Inflation index bonds	1.50	0

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0% for ERS and 6.5% for TRS) or 1 percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – (Continued)

<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
District's proportionate share of the net pension asset (liability)	\$ (2,247,677)	\$ (703,762)	\$ 601,615
	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	\$ (5,953,082)	\$ (456,270)	\$ 4,154,167

Pension Plan Fiduciary Net Position

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

	(Dollars in thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Measurement date	March 31, 2017	June 30, 2016	
Employers' total pension asset (liability)	\$ (177,400,586)	\$(108,577,184)	\$(285,977,770)
Plan fiduciary net position asset (liability)	168,004,363	107,506,142	275,510,505
Employers' net pension asset (liability)	(9,396,223)	(1,071,042)	(10,467,265)
 Ratio of plan fiduciary net position to the employers' total pension asset (liability)	 94.7%	 99.0%	 96.3%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$98,000.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November, 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amount to \$947,353.

Additional pension information can be found in Note 9.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

O. Vested Employee Benefits

Compensated Absences

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

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

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

Consistent with 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. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

P. Other Benefits

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

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

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Q. Short-Term Debt

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

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

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

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

The District had no short-term debt as of June 30, 2017.

R. Accrued Liabilities and Long-Term Obligations

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

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

S. Equity Classifications

District-Wide Statements

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

i) Net Investment in Capital Assets

Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvement of those assets.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

District-Wide Statements – (Continued)

ii) Restricted Net Position

Reports net position when constraints placed on the assets or deferred outflows of resources 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.

iii) 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.

Funds Statements

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

1. Nonspendable

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$6,079.

2. Restricted

Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Currently Utilized by the District:

Capital

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Repairs

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Unemployment Insurance

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

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund under Restricted Fund Balance.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

Encumbrances

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

3. Committed

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

4. Assigned

Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

5. Unassigned

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

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Order of Use of Fund Balance

The Board has adopted Policy #5560 allowing establishment or removal of assignments of fund balance through Board resolution based on the recommendation of the Director of Finance or Superintendent of Schools. Policy #5560 further denotes the order of use of fund balance to be recommended to the Board of Education by the Director of Finance or Superintendent of Schools on an annual basis.

T. New Accounting Standards

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

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the year ending June 30, 2017.

U. Future Changes in Accounting Standards

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

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

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

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

Total fund balance 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 long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories, as shown below:

i) Long-Term Revenue Differences

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

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

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

iv) 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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures and Budgetary Accounting

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

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

Appropriations are adopted at the program line item level.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (CONTINUED)

Budgetary Procedures and Budgetary Accounting – (Continued)

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

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year end are presented as restrictions or assignments of fund 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.

Unreserved Undesignated General Fund Balance

The District's unreserved undesignated General Fund balance was in excess of the New York State Real Property Tax Law limit, which restricts it to an amount not greater than 4% of the District's appropriation budget for the upcoming year.

NOTE 4 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS – (CONTINUED)

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

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agency, but not in the District’s name		5,160,297

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$2,710,275 within the governmental funds and \$278,581 in the fiduciary funds.

NOTE 5 – INVESTMENTS

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District’s investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are categorized as either:

- a. Insured or registered, or investments held by the District or by the District’s agent in the District’s name, or
- b. Uninsured and unregistered, with the investments held by the financial institution’s trust department in the District’s name, or
- c. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District’s name.

Investment

<u>Fund</u>	<u>Private Purpose Trust</u>	<u>Private Purpose Trust</u>
Carrying amount (fair value)	\$ 8,082	\$ 911,324
Unrealized investment gain/loss	0	Unknown
Type of investment	Money Market	Mutual Funds
Category of investment	C	C

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 391,626	\$ 0	\$ 0	\$ 391,626
Total nondepreciable historical cost	391,626	0	0	391,626
Capital assets that are depreciated:				
Buildings	42,338,840	0	0	42,338,840
Improvements other than buildings	1,087,023	0	0	1,087,023
Furniture and equipment	3,801,841	73,815	0	3,875,656
Total depreciable historical cost	47,227,704	73,815	0	47,301,519
Less accumulated depreciation:				
Buildings	16,143,949	1,246,284	0	17,390,233
Furniture and equipment	3,071,530	112,466	0	3,183,996
Total accumulated depreciation	19,215,479	1,358,750	0	20,574,229
Net depreciable historical cost	28,012,225	(1,284,935)	0	26,727,290
GRAND TOTAL - NET	\$ 28,403,851	\$ (1,284,935)	\$ 0	\$ 27,118,916
Depreciation was allocated to the following programs as follows:				
General support		\$ 252,846		
Instruction		958,136		
Pupil transportation		109,391		
School lunch program		38,377		
TOTAL		\$ 1,358,750		

NOTE 7 – LONG-TERM DEBT

Interest paid on long-term debt was comprised of:

Interest paid	\$ 588,338
Amortization of bond premium	(88,780)
TOTAL	\$ 499,558

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 7 – LONG-TERM DEBT – (CONTINUED)

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Serial bond payable	\$ 12,860,000	\$ 0	\$ 1,540,000	\$ 11,320,000	\$ 1,385,000
Other liabilities:					
Other post-employment benefits	6,223,869	901,497	0	7,125,366	0
Compensated absences, net	86,961	1,331	0	88,292	0
Total long-term liabilities	\$ 19,170,830	\$ 902,828	\$ 1,540,000	\$ 18,533,658	\$ 1,385,000

The current portion (amount due within one year) of other liabilities as of June 30, 2017, was not determinable.

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

<u>Description of Issue</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2017</u>
High School Construction	11/1/2012	6/15/2026	2-5%	\$ 4,850,000
East Hill Construction	4/15/2003	4/15/2018	4.45%	230,000
Bus Garage	9/25/2014	6/15/2031	2-3.5%	1,220,000
East Hill Construction	6/17/2009	6/15/2019	3-5%	70,000
Various Projects - Excel	6/17/2009	6/15/2025	3-5%	1,230,000
2016 Refunding	5/27/2016	6/15/2025	2-5%	3,720,000
TOTAL				\$ 11,320,000

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2018	\$ 1,385,000	\$ 520,263	\$ 1,905,263
2019	1,205,000	456,863	1,661,863
2020	1,260,000	398,963	1,658,963
2021	1,310,000	347,513	1,657,513
2022	1,375,000	284,313	1,659,313
Thereafter	4,785,000	553,876	5,338,876
Totals	\$ 11,320,000	\$ 2,561,791	\$ 13,881,791

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.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 948,410	\$ 7,086	\$ 0	\$ 39,854
Special Aid Funds	0	677,270	24,854	0
School Lunch Fund	6,904	19,571	15,000	0
Debt Service Fund	0	115,067	0	0
	955,314	818,994	39,854	39,854
Total Governmental Activities				
Fiduciary Agency Fund	7,086	143,406	0	0
	\$ 962,400	\$ 962,400	\$ 39,854	\$ 39,854
TOTALS	\$ 962,400	\$ 962,400	\$ 39,854	\$ 39,854

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

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

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

NOTE 9 – PENSION PLANS

General Information

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

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 9 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: – (Continued)

Employees’ Retirement System (ERS)

The District participates in the New York State and Local Employees’ Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees’ Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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 2, 2010 who generally contribute 3.0% 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. For TRS, contribution rates are established annually by the New York State Teachers’ Retirement Board pursuant to Article 11 of the Education Law.

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2017	\$ 854,135	\$ 313,327
2016	905,820	391,025
2015	1,040,656	289,875

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District did not exercise.

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

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

The District provides post-employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, in the school year ended June 30, 2009. This required the District to calculate and record a net other post-employment benefit obligation at year end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the District recognized \$822,182 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2016 which indicates that the total liability for other post-employment benefits is \$7,125,366 which is reflected in the Statement of Net Position.

Plan Description

Canajoharie Central School District provides medical and prescription drug insurance benefits for retirees, spouses and their covered dependents while contributing a portion of the expenses. Such post-employment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during post-employment. Nevertheless, both types of benefits constitute compensation for employee services.

Funding Policy

The contribution requirements of the plan members and the District are established by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements.

Annual Other Post-employment Benefit (OPEB) Cost and Net OPEB Obligation

The District's annual 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 Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the healthcare plan:

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Annual required contribution	\$ 1,645,598
Interest on net OPEB obligation	311,193
Adjustment to annual required contribution	<u>(233,112)</u>
Annual OPEB cost (expense)	1,723,679
Contributions made	<u>822,182</u>
Increase in net OPEB obligation	901,497
Net OPEB obligation - beginning of year	<u>6,223,869</u>
Net OPEB obligation - end of year	<u>\$ 7,125,366</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/17	\$ 1,723,679	48%	\$ 7,125,366
06/30/16	1,766,678	44%	6,223,869
06/30/15	1,693,405	54%	5,234,990

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$26,072,159 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,072,159. The covered payroll (annual payroll of active employees covered by the plan) was \$8,594,638 and the ratio of the UAAL to the covered payroll was 303.4%. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumption 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 employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is based on the expected earnings of the District’s General Fund investments at the valuation date, and an annual healthcare cost trend rate of 3.94%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 30 years.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 – RISK MANAGEMENT

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. The 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.

Consortiums and Self-Insured Plans

The District participates in Fulmont Workers Compensation Plan, a risk-sharing pool to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Operating Leases

The District leases buses under operating lease agreements which run for five years. Total rental expenditures on such leases for the year ended June 30, 2017 were \$286,760. The future minimum noncancelable operating lease payments are as follows:

2018	\$ 238,184
2019	152,160
2020	103,383
2021	52,248

NOTE 13 – FAIR VALUE MEASUREMENTS

As required by GASB 72 *Fair Value Measurements*, the District is required to value investment securities based on the valuation measurement techniques and hierarchy established by the FASB ASC.

There are three general valuation techniques that may be used to measure fair value, as described below:

- (A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets. Prices may be indicated by pricing guides, sales transactions, market trades or other sources.
- (B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- (C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 13 – FAIR VALUE MEASUREMENTS – (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2017, are as follows:

Fair Value Measurements Using

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Trading securities	\$ 919,406	\$ 919,406	\$ 0	\$ 0

NOTE 14 – TAX ABATEMENTS

The County of Montgomery, enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The School District's property tax revenue was reduced \$43,073. The District received Payment in Lieu of Tax (PILOT) payment totaling \$25,146.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the issuance date of the financial statements. There were no issues to report that would have a material effect on the financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Revenues	Final Budget Variance with Budgetary Actual Over (Under)
REVENUES:				
Local Sources				
Real property taxes	\$ 5,762,150	\$ 5,762,150	\$ 5,784,331	\$ 22,181
Real property tax items	1,277,138	1,277,138	1,252,858	(24,280)
Charges for services	125,500	125,500	166,749	41,249
Use of money and property	7,500	7,500	5,248	(2,252)
Sale of property and compensation for loss	8,300	8,300	13,448	5,148
Miscellaneous	227,500	227,500	588,067	360,567
Total Local Sources	7,408,088	7,408,088	7,810,701	402,613
State Sources	12,890,165	12,890,165	13,414,295	524,130
Federal Sources	25,000	25,000	51,438	26,438
Total Revenues	20,323,253	20,323,253	21,276,434	\$ 953,181

See paragraph on supplementary schedules included in independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under</u>
EXPENDITURES					
General Support					
Board of Education	15,800	15,800	11,228	\$ 0	\$ 4,572
Central administration	227,700	210,700	198,369	0	12,331
Finance	328,135	319,985	307,075	300	12,610
Staff	145,454	147,104	128,231	10,472	8,401
Central services	1,928,225	2,032,635	1,877,482	61,442	93,711
Special items	371,000	391,300	378,415	335	12,550
Instructional					
Instruction, administration and improvements	595,603	586,560	570,787	5,415	10,358
Teaching – regular school	5,799,285	6,151,383	6,013,483	8,400	129,500
Programs for children with handicapping conditions	1,959,925	2,079,118	2,000,320	0	78,798
Occupational education	381,040	313,040	311,760	0	1,280
Teaching - special school	30,200	30,200	16,304	260	13,636
Instructional media	382,330	406,395	362,572	14,315	29,508
Pupil services	715,263	752,410	708,970	12,573	30,867
Pupil Transportation	1,227,250	1,274,787	1,233,829	15,854	25,104
Employee Benefits	5,061,500	4,660,122	4,555,200	0	104,922
Debt Service	2,143,000	2,143,000	2,128,338	0	14,662
Total Expenditures	21,311,710	21,514,539	20,802,363	129,366	582,810
Other Financing Uses					
Transfers to other funds	33,000	40,000	39,854	0	146
Total Expenditures and Other Uses	21,344,710	21,554,539	20,842,217	\$ 129,366	\$ 582,956
NET CHANGE IN FUND BALANCE	(1,021,457)	(1,231,286)	434,217		
FUND BALANCE – BEGINNING	5,264,918	5,264,918	5,264,918		
FUND BALANCE – ENDING	\$ 4,243,461	\$ 4,033,632	\$ 5,699,135		

See paragraph on supplementary schedules included in independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN

FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/16	\$ 0	\$ 26,072,159	\$ 26,072,159	0%	\$ 8,594,638	303%
07/01/15	0	28,557,678	28,557,678	0%	8,569,877	333%
07/01/14	0	27,484,564	27,484,564	0%	7,913,925	347%

See paragraph on supplementary schedules included in independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NYS Employees' Retirement System

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0074898%	0.0075956%	0.0070611%
District's proportionate share of the net pension liability (asset)	\$ 703,762	\$ 1,219,119	\$ 238,542
District's covered-employee payroll	2,056,733	1,935,179	1,875,972
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.2%	63.0%	12.7%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%

NYS Teachers' Retirement System

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.042601%	0.042691%	0.041638%
District's proportionate share of the net pension liability (asset)	\$ 456,270	\$ (4,434,230)	\$ (4,638,247)
District's covered-employee payroll	6,851,624	6,765,731	6,692,704
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.7%	65.5%	69.3%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.00%	110.50%	111.48%

See paragraph on supplementary schedules included in independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NYS Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 322,572	\$ 305,246	\$ 321,021
Contributions in relation to the contractually required contribution	<u>322,572</u>	<u>305,246</u>	<u>321,021</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 2,056,733	\$ 1,935,179	\$ 1,875,972
Contribution as a percentage of covered-employee payroll	15.68%	15.77%	17.11%

NYS Teachers' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 803,010	\$ 897,136	\$ 1,173,231
Contributions in relation to the contractually required contribution	<u>803,010</u>	<u>897,136</u>	<u>1,173,231</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 6,851,624	\$ 6,765,731	\$ 6,692,704
Contribution as a percentage of covered-employee payroll	11.72%	13.26%	17.53%

See paragraph on supplementary schedules included in independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET –
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

ADOPTED BUDGET	\$ 21,344,710
ADDITIONS:	
Prior year's encumbrances	<u>209,829</u>
FINAL BUDGET	<u><u>\$ 21,554,539</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

FOR THE YEAR ENDED JUNE 30, 2017

2017-2018 voter-approved expenditure budget	\$ 21,885,850
Maximum allowed (4% of 2017-2018 budget)	875,434
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	1,123,537
Unassigned fund balance	<u>2,160,187</u>
Total unrestricted fund balance	3,283,724
Less:	
Appropriated fund balance and encumbrances	<u>1,123,537</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,160,187</u></u>
Actual percentage	9.9%

See paragraph on supplementary schedules included in independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS, NET		\$ 27,118,916
DEDUCT:		
Deferred bond premium	\$ 799,017	
Short-term portion of bonds payable	1,385,000	
Long-term portion of bonds payable	<u>9,935,000</u>	
		<u>12,119,017</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 14,999,899</u></u>

See paragraph on supplementary schedules included in independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

**FEDERAL AWARD PROGRAM INFORMATION
(SINGLE AUDIT)**

(UNIFORM GUIDANCE)

JUNE 30, 2017



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

To the President and the Other Members
of the Board of Education of the
Canajoharie Central School District
Canajoharie, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Canajoharie Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 25, 2017



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

To the President and the Other Members
of the Board of Education of the
Canajoharie Central School District
Canajoharie, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 25, 2017

CANAJOHARIE CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through NYS Education Department:			
Special Education Cluster:			
Special Education - Grants to States	84.027	0032170397	\$ 212,822
Special Education - Preschool Grants	84.173	0033170397	737
			<hr/>
Total Special Education Cluster			213,559
Title I Grants to Local Educational Agencies	84.010	0021161425	25,510
Title I Grants to Local Educational Agencies	84.010	0021171425	204,584
Improving Teacher Quality State Grants	84.367	0147161425	10,647
Improving Teacher Quality State Grants	84.367	0147171425	44,663
Rural Education	84.358	0006161425	3,452
			<hr/>
Total U.S. Department of Education			502,415
			<hr/>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	Not Applicable	18,689
Cash Assistance			
School Breakfast Program	10.553	Not Applicable	53,197
National School Lunch Program	10.555	Not Applicable	197,189
Summer Food Service Program for Children	10.559	Not Applicable	14,703
			<hr/>
Total Child Nutrition Cluster			283,778
			<hr/>
Total U.S. Department of Agriculture			283,778
			<hr/>
TOTAL FEDERAL AWARDS EXPENDED			\$ 786,193
			<hr/> <hr/>

See notes to schedule of expenditures of federal awards.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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

NOTE 2 – SUBRECIPIENTS

No amounts were provided to subrecipients.

NOTE 3 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. At June 30, 2017, the District had food commodities totaling \$1,457 in inventory.

NOTE 4 – INDIRECT COST RATE

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. There is no other indirect cost allocation plan in effect.

NOTE 5 – CLUSTERS

The special education cluster consists of Special Education - Grants to States and Special Education - Preschool Grants.

The child nutrition cluster consists of food distribution, School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children.

CANAJOHARIE CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: unmodified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? ___Yes XNo
 - b. Significant deficiency(ies) identified? ___Yes XNo
3. Noncompliance material to financial statements noted? ___Yes XNo

Federal Awards

1. Internal control over major programs:
 - a. Material weakness(es) identified? ___Yes XNo
 - b. Significant deficiency(ies) identified? ___Yes XNo
2. Type of auditors' report issued on compliance for major programs: unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? ___Yes XNo
4. Identification of major programs:

CFDA Number

Name of Federal Program

84.027
84.173

Special Education – Grants to States
Special Education – Preschool Grants

5. Dollar threshold used to distinguish between type A and B programs: \$750,000
6. Auditee qualified as low-risk auditee? XYes ___No

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2017



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Canajoharie Central School District
Canajoharie, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Canajoharie Central School District as of June 30, 2017, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Canajoharie Central School District as of June 30, 2017, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

WEST & COMPANY CPAs PC

Gloversville, New York
September 25, 2017

CANAJOHARIE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2017

ASSETS	
Cash	\$ 63,858
TOTAL ASSETS	<u>\$ 63,858</u>
LIABILITIES AND CLUB BALANCES	
Liabilities	\$ 2,103
Club balances	<u>61,755</u>
TOTAL LIABILITIES AND CLUB BALANCES	<u>\$ 63,858</u>

See independent auditors' report.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
Class of 2015	\$ 276	\$ 0	\$ 276	\$ 0
Class of 2016	914	0	914	0
Class of 2017	7,240	7,458	14,698	0
Class of 2018	3,894	12,815	13,741	2,968
Class of 2019	1,010	6,400	4,175	3,235
Class of 2020	0	400	140	260
Community Action	292	0	292	0
Athletic Association	2,314	2,768	985	4,097
Girls' Volleyball	2,733	2,840	4,181	1,392
CSI Club	2	0	0	2
Life Skills Club	1,057	0	479	578
Black and Gold Yearbook	9,212	13,866	14,427	8,651
Varsity Girls' Softball	25	0	0	25
Band and Orchestra	3,816	31,772	34,529	1,059
Handbell Choir	858	155	36	977
Varsity Track and Field	159	0	0	159
Choir	1,378	86	87	1,377
GSA	77	0	77	0
Swim Club	1,233	0	170	1,063
Cheerleaders	569	0	0	569
Wrestling	212	0	0	212
Boys' Soccer	812	218	405	625
Middle School National Honor Society	251	1,672	1,766	157
High School National Honor Society	24	0	0	24
Ski Club	836	232	75	993
Middle School Student Council	1,444	7	1,000	451
High School Student Council	4,826	1,290	680	5,436
Boys' Basketball	1,321	4,888	4,759	1,450
Girls' Basketball	4,028	925	1,895	3,058
Girls' Soccer	945	1,782	2,148	579
Football	351	0	0	351
Student Council - A.P. Account	679	0	0	679
Student Council - Landscape	804	0	192	612
Summer Drama Club	537	2,167	1,873	831
History Club	94	0	0	94
NADA Club	1,555	173	1,266	462
SADD	7,555	11,380	16,977	1,958
MS SADD	2,091	0	100	1,991
Technology Club	3,195	2,909	3,735	2,369
Middle School Team	3,557	20,837	19,960	4,434
Middle School Team - Scholarship	1,814	3,263	4,071	1,006
Science Club	77	300	300	77
Bowling Club	246	1,671	1,358	559
International Club	4,261	0	0	4,261
Odyssey of the Mind	1,404	422	421	1,405
MS Science Club	326	2,238	2,450	114
MS CHIPS	335	969	149	1,155
Sales Tax	795	2,865	1,557	2,103
TOTALS	\$ 81,434	\$ 138,768	\$ 156,344	\$ 63,858

See note to financial statements.

CANAJOHARIE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Canajoharie Central School District. The related year end cash balances are shown as part of the Trust and Agency Fund with the offset being shown as agency liabilities. The Extraclassroom Activity Funds of Canajoharie Central School District represent funds of the students of the District. The District's Board exercises general oversight on these funds. The Extraclassroom Activity Funds are independent of the District with respect to the financial transactions and the designation of student management.

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

NOTE 2 – MANAGEMENT LETTER

Management letter items associated with the Extraclassroom Activity Funds are included in the management letter accompanying the District's financial statements.



September 25, 2017

To the President and the Other Members
of the Board of Education of the
Canajoharie Central School District
Canajoharie, New York

Re: Management Letter
June 30, 2017

In planning and performing our audit of the basic financial statements of the Canajoharie Central School District for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our audit procedures for the purpose of expressing an opinion 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The memorandum that follows summarizes our comments and recommendations regarding those matters. We previously reported on the District's internal control in our report dated September 25, 2017. This report does not affect our report dated September 25, 2017, on the financial statements of Canajoharie Central School District.

Prior-Year Findings

(1) Extraclassroom Activity Funds

a) Fundraisers

Prior Condition: Our prior audit testing found clubs having fundraisers but not preparing the required profit or loss statement, or using the inventory control form when product sales are involved.

Status: This condition has been corrected as of June 30, 2017.

b) Activities

Prior Condition: Through prior review of Extraclassroom Activity Funds, we noted that there were dormant clubs in the Extraclassroom Activity Funds.

Status: This condition remains outstanding. There were numerous fiscally dormant clubs in the Extraclassroom Activity Funds as of June 30, 2017.

c) **Sales Tax**

Prior Condition: Clubs were not paying sales tax when purchasing taxable items from outside vendors, and not remitting sales tax on taxable fundraiser sales.

Status: The clubs are properly remitting sales tax on taxable fundraiser sales as of June 30, 2017. However, the condition regarding the failure to pay sales tax when purchasing taxable items remains unchanged for the year ended June 30, 2017.

Recommendation: Clubs should pay sales tax when purchasing taxable items from outside vendors, unless a resale certificate has been filed with the vendor.

(2) **Unassigned General Fund Balance**

Prior Condition: The District's unassigned General Fund balance at June 30, 2016, was in excess of the New York State Real Property Tax Law limit, which restricts this balance to an amount not greater than 4% of the District's appropriation budget for the upcoming year.

Status: This condition remains unchanged for the year ended June 30, 2017.

Recommendation: We recommend that the Board review and modify its plan to reduce the District's unassigned General Fund balance to the statutory limit.

(3) **Payroll - Employee I-9 Forms**

Prior Condition: During our June 30, 2016 audit, we tested 40 employees to ensure proper documentation for I-9s was present in the employees' personnel files. Of the 40 employees tested, two did not have an I-9 on file.

Status: During our June 30, 2017 audit, we tested 40 employees and noted that two did not have an I-9 on file and four had incomplete I-9s on file.

Recommendation: We recommend that the District ensure that all employee files contain all required documentation including completed I-9s.

(4) **Accounts Payable**

Prior Condition: Through our June 30, 2016 review of accounts payable, we noted instances where items were improperly recorded as accounts payable and should have been recorded as encumbrances as these items were ordered but invoices had not been received at the time of audit.

Status: This condition has been corrected as of June 30, 2017.

(5) **Purchasing**

Prior Condition: Through our June 30, 2016 testing of disbursements, we noted 5 of 40 tested had purchase orders dated after the invoice date.

Status: During our June 30, 2017 audit, we tested 40 disbursements and note that one had a purchase order dated after the invoice.

Recommendation: We recommend that the District review its purchasing procedures to ensure that all purchase orders are dated after the invoice date and all payments are approved by the claims auditor.

Current-Year Findings

(1) Flex Plan Account

Condition: The flex plan liability in the Trust and Agency account is not being reconciled to the administrator's balance.

Recommendation: We recommend that the District reconcile this balance periodically to ensure an accurate balance is recorded.

(2) Teachers' Retirement System Accrual

Condition: During our June 30, 2017 audit, we noted that the District did not reconcile the balance due to the New York State Teachers' Retirement System to their year-end bill.

Recommendation: We recommend that the District ensure that all year-end liabilities are properly recorded based on billings received from third parties.

We appreciate the assistance and courtesies extended to us by your staff during our fieldwork.

Please let us know if you would like to discuss our comments and recommendations.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC