LAFARGEVILLE CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2017

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LAFARGEVILLE CENTRAL SCHOOL DISTRICT

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

BOARD OF EDUCATION
LAFARGEVILLE CENTRAL SCHOOL DISTRICT

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

Management's Responsibility for the Financial Statements

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

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 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-18), Schedule of Funding Progress Other Post Employment Benefits Plan (page 70), Budgetary Comparison information (pages 71-72) Schedule of District's Proportionate Share of the Net Pension Asset (Liability) - NYSLRS Pension Plan (page 73), and Schedule of District's Contributions – NYSLRS Pension Plan (page 74) 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 LaFargeville Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, the Schedule of Capital Project Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets which accompany the financial statements (pages 75-79) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Project Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 75-79) 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 Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Project Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 75-79) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of the LaFargeville Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 LaFargeville Central School District's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
September 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The following is a discussion and analysis of LaFargeville Central 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. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section. Responsibility for completeness and fairness of the information contained rests with the School District.

SCHOOL DISTRICT OVERVIEW

LaFargeville Central School District (the "School District") is located in the northern portion of upstate New York and is comprised of approximately 98 square miles in the northern sector of Jefferson County. The District is comprised of portions of the Towns of Alexandria, Clayton, LeRay, Orleans, Pamelia and Theresa, with the largest component being the Town of Orleans.

The School District's mission is to serve as the center of education for all community members, providing each student the opportunity to achieve their potential. The LaFargeville Central School Board of Education will achieve its mission in keeping with their beliefs to be fiscally responsible to the taxpayers, while continuing to upgrade the physical plant and assets; keeping energy efficiency and the highest quality programming in mind. The following financial highlights are the School District's attempt at completing this mission.

FINANCIAL HIGHLIGHTS

For the year ending June 30, 2017 total revenues of $10,719,035 were $422,601 lesser than $11,141,636 reported expenditures. This change in net position of $422,601 was added to the Net Position beginning of the year balance of $4,832,807 for ending Net Position of $4,410,206.

The School District's portion of Unrestricted Net Position designated to reduce real estate taxes in 2017-2018 is $979,500. The General Fund Unassigned Fund Balance is $438,282 or 3.93% of the 2017-2018 budget.

The total property assessment for the School District in the 2016-2017 school year was $434,615,249. The true value tax rate for 2016-2017 was $8.81 per thousand of assessment.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FINANCIAL HIGHLIGHTS - Continued

The School District employs about 100 full and part time employees. The two unions, (Teacher's Union and Support Related Personnel) utilize collective bargaining agreements. The Teacher's Association has an agreement in place until June 30, 2021. The CSEA has an agreement in place until June 30, 2019.

K-12 enrollment for the 2016-2017 school year was 511 which was a decrease of 17 students over the 2015-2016 year. Projections for 2017-2018 show an increase of 42 students for a K-12 enrollment of 553.

OVERVIEW OF 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 fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

Table A-1	**Major Features of the District-Wide and Fund Financial Statement**		
		Fund Financial Statements	
	District-Wide	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. 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 / Liability Information	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	Additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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, 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.

To assess the School District's overall health, you need to consider additional non-financial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are shown as Governmental activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.

- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FUND FINANCIAL STATEMENTS - Continued

The District has two kinds of funds:

1. **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 that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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.

2. **Fiduciary Funds:** 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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets and deferred outflows exceeded liabilities and deferred inflows by $4,410,206 at the close of the most recent fiscal year.

The largest portion of the School District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The School District used capital assets to provide services; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The following schedule summarizes the School District's net position. The complete Statement of Net Position can be found in the School District's basic financial statements.

CONDENSED STATEMENT OF NET POSITION

	6/30/2016 (Restated)	6/30/2017	Variance
Assets			
Current and Other Assets	$ 4,195,051	$ 4,704,003	$ 508,952
Capital Assets, Net	15,896,227	15,585,730	(310,497)
Net Pension Asset - Proportionate Share	2,067,320	-	(2,067,320)
Total Assets	$ 22,158,598	$ 20,289,733	$ (1,868,865)
Deferred Outflows of Resources - Pensions	$ 999,951	$ 2,310,637	$ 1,310,686
Liabilities			
Current Liabilities and Other Liabilities	$ 1,488,919	$ 1,556,899	$ 67,980
Long-Term Liabilities	15,388,392	15,908,178	519,786
Net Pension Liability - Proportionate Share	640,094	580,165	(59,929)
Total Liabilities	$ 17,517,405	$ 18,045,242	$ 527,837
Deferred Inflows of Resources - Pensions	$ 808,337	$ 144,922	$ (663,415)
Net Position			
Net Investment in Capital Assets	$ 6,660,130	$ 7,171,067	$ 510,937
Restricted	2,177,781	2,496,175	318,394
Unrestricted (Deficit)	(4,005,104)	(5,257,036)	(1,251,932)
Total Net Position	$ 4,832,807	$ 4,410,206	$ (422,601)

In general, current assets are those assets that are available to satisfy current obligations and current liabilities and those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents of $4,164,303 and state, federal and BOCES aid receivable of $483,552. Inventories account for $10,460 and the remaining $45,688 consists of accounts receivable. Current liabilities consist of accrued expenses totaling $595,682 and the current portion of long-term debt totaling $961,217.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings and unrestricted state and federal aid must support the net cost of the School District's programs.

The following schedule summarizes the School District's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

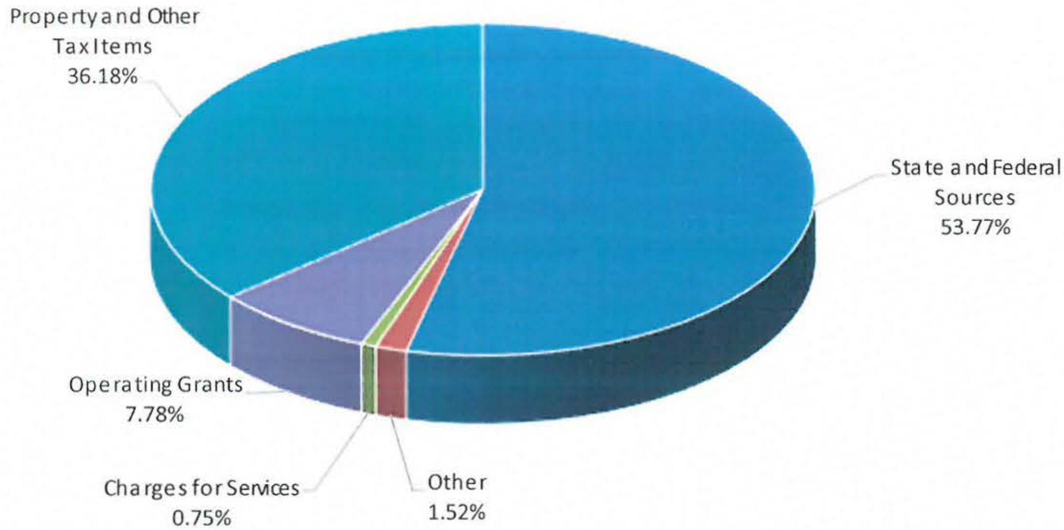
CONDENSED STATEMENT OF ACTIVITIES

	6/30/2016 (Restated)	6/30/2017	Variance
Revenues			
Program Revenues			
Charges for Services	$ 76,820	$ 80,015	$ 3,195
Operating Grants	731,251	834,067	102,816
General Revenues			
Property and Other Tax Items	3,766,787	3,878,668	111,881
Use of Money and Property	12,639	12,753	114
Sale of Property and Compensation for Loss	14,099	19,163	5,064
Miscellaneous	175,729	130,873	(44,856)
Federal Sources	43,983	33,995	(9,988)
State Sources	5,642,045	5,729,501	87,456
Total Revenues	10,463,353	10,719,035	255,682
Expenses			
General Support	1,559,328	1,676,043	116,715
Instruction	7,157,770	8,107,417	949,647
Pupil Transportation	644,619	743,314	98,695
Debt Service	389,017	353,196	(35,821)
School Lunch Program - Cost of Food Sales	254,006	261,666	7,660
Total Expenses	10,004,740	11,141,636	1,136,896
Change in Net Position	$ 458,613	$ (422,601)	(881,214)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

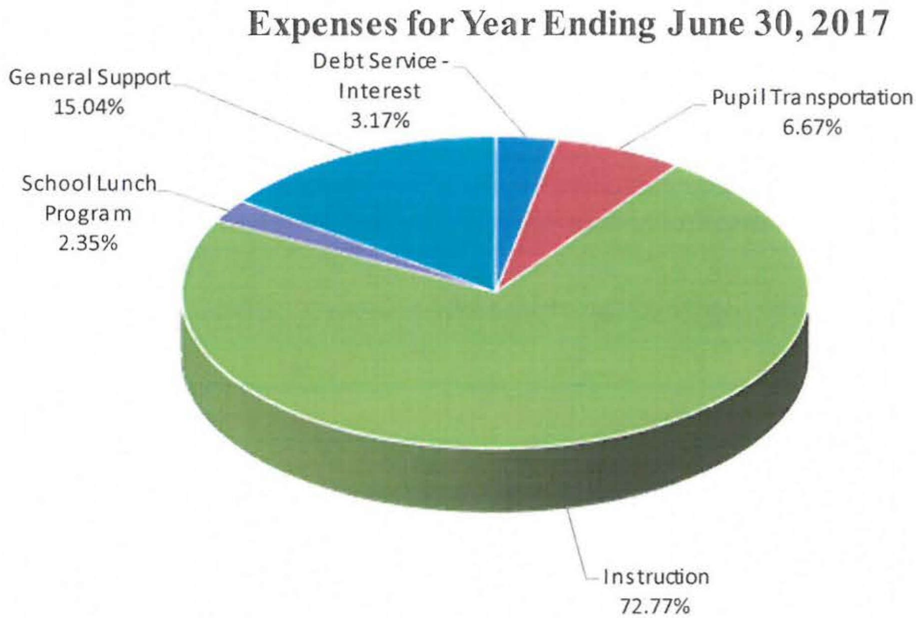
Sources of Revenues for Year Ending June 30, 2017



The School District is heavily dependent on both state and federal aid for its funding. State and Federal Grants and State and Federal General Revenues combined account for approximately 62% of total revenues. General Tax Revenues account for approximately 36% of revenues received for the year. These two areas make up for 98% of the total revenues received in the 2016-2017 school year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

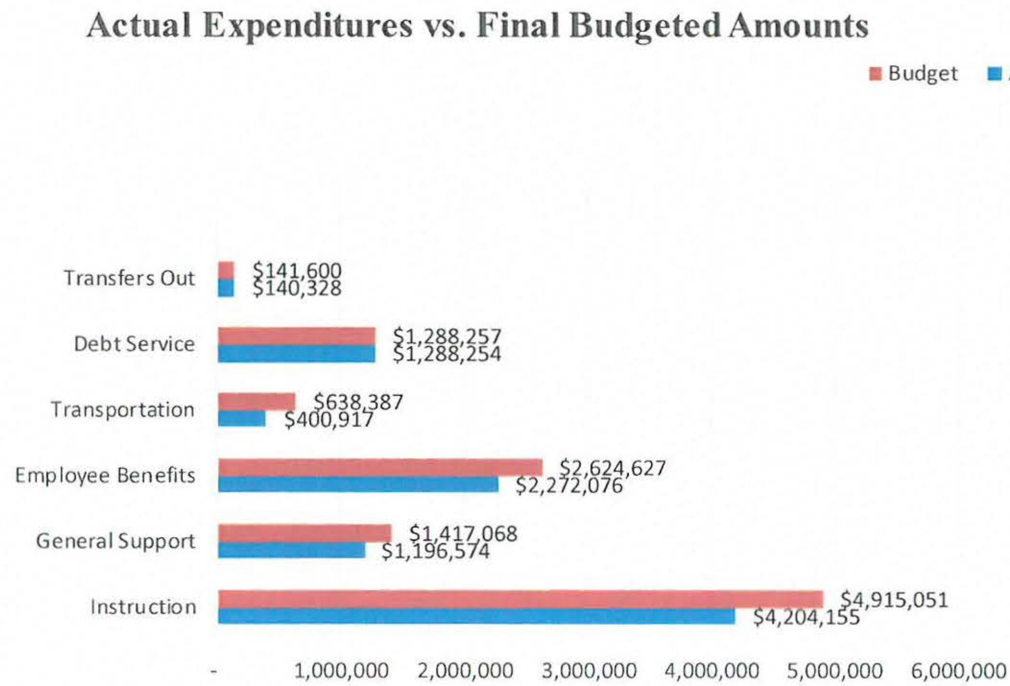


Instruction, transportation, and general support account for approximately 95% of the total expenses of the School District.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

The School District's total budget increase for 2016-2017 was $70,999 or a .65% increase from the prior year budget. The School District's budget of $10,953,980 for 2016-2017 was approved by referendum on May 17, 2016 by residents that voted. The School District's adjusted budget for the 2016-2017 school year was $11,024,990. The adjusted budget includes $71,010 of encumbrances carried over from the prior year. Actual expenditures for 2016-2017 totaled $9,502,304, which includes debt service of $1,288,254. The School District under-expended its budget by $1,427,233 (net of encumbrances of $95,453). The graph below shows, in general terms, how the actual expenditures are distributed and compared to final budgeted appropriations:



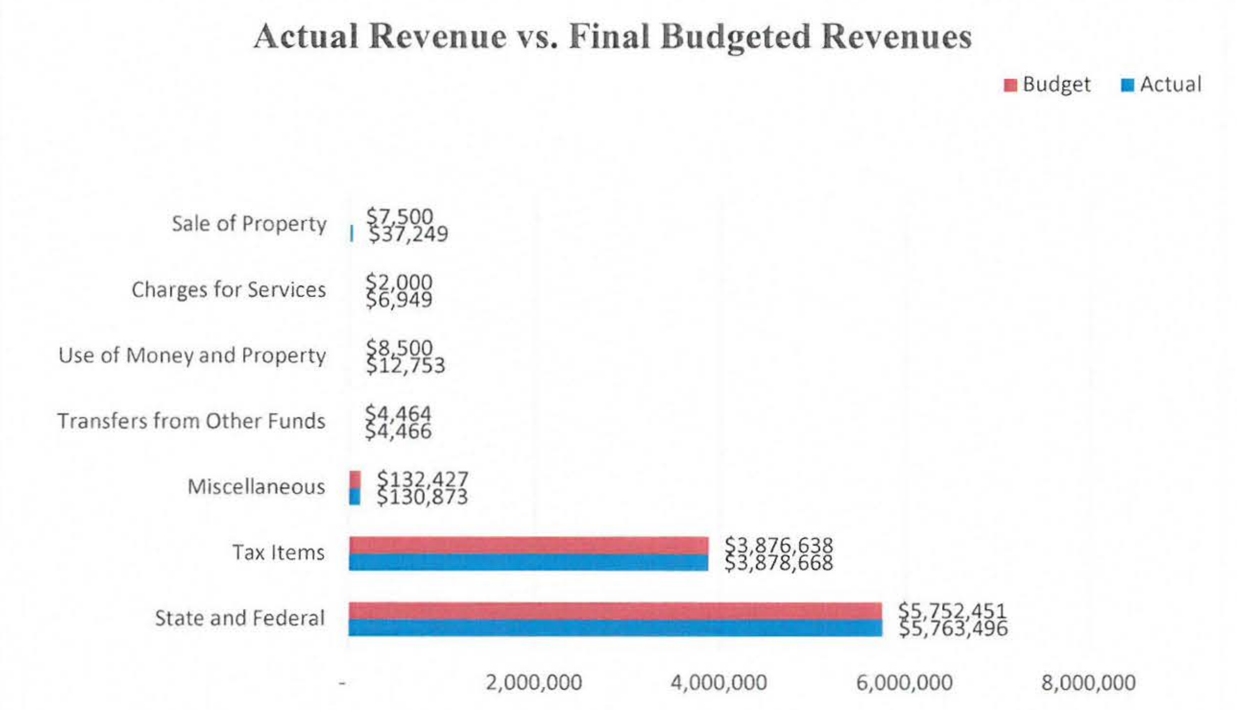
When constructing the budget the number of special education students to budget for is an uncertainty as the enrollment is continually fluctuating, therefore for budgetary control it is the District's custom to overestimate expenditures so as to maintain a favorable variance to be utilized in appropriating fund balance. Unspent appropriations provide cash flow at year-end when state aid is uncertain. Without this balance, the School District would have to borrow funds at year-end to meet its obligations. The School District appropriated $995,000 of the fund balance to reduce taxes for the year ending June 30, 2017 and has reduced the appropriation to $979,500 for 2017-2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

All functional budget codes were under-expended again this year. The District continues to be cautious for potential mid-year State Aid cuts and delayed payments.

The School District's general fund receives its funding from many sources. The graph below depicts the actual revenues relative to the final budgeted revenues.



Revenues from Local, State and Federal Sources amounted to $50,472 more than final budget figures. State and Federal aid received was $11,045 more than budgeted.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

General Fund

General Funds are used to operate the schools daily educational and transportation programs and maintain the buildings and grounds of the facility for continued use. This is the only fund that relies on real property taxes for a portion of funding. Actual property taxes paid (less STAR Reimbursement) amounts to 36.6% of total General Fund revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

General Fund – Continued

As of the close of the fiscal year, the District has fund balances of $4,009,410, an increase of $332,150 in comparison with the prior year. The increase in the amounts in various reserves demonstrates the District's continuous financial strength.

Special Aid Fund

The School District receives State and Federal grants which fund specific academic activities. These grants are written for specific purposes and include class size reduction, staff development and needs related to students with disabilities.

It is important to note that most of these grants have a fiscal year which runs from September 1 to August 31, which differs from the school fiscal year of July 1 to June 30.

The listing below shows the grant amounts recorded in the Special Aid Fund:

Title I ESEA - Basic Grant	$ 103,701	$ 125,695
IDEA Section 619	1,866	1,966
IDEA Section 611	118,376	121,303
Title II, Part A	20,625	20,662
REAP	32,670	38,986
Fort Drum RISE	81,541	41,567
Summer School	2,573	3,032
Community Schools	137,975	209,721
Transfer from General Fund	619	328
UPK	75,787	77,943
Total Special Aid Funds	$ 575,733	$ 641,203

School Lunch Fund

The School Lunch Program is totally funded through State and Federal Aid along with sale of lunch and breakfast items. The School Lunch Program showed a $19,182 loss for the year ending June 30, 2016 and a gain of $39,445 for the year ending June 30, 2017. The school lunch prices were each increased by .10 in the 2016-2017 school year; $1.95 for elementary and $2.05 for grades 7-12. Breakfast was set at $1.00. Following Section 205 of the Healthy, Hunger Free Kids Act of 2010 the District has set 2017-18 school year pricing at $1.00 for breakfast and lunch at $2.00 for elementary and $2.10 grades 7-12.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Capital Assets

Land is valued at acquisition cost and the School District only has property with structures on or adjacent to it.

Building & Improvements have various dates of construction from 1928 to 2010.

Furniture & Equipment are recorded for the entire School District and include vehicles and school buses.

A fixed asset policy was established by the School Board on July 14, 2008 to capitalize fixed assets of at least $5,000 and building improvements of $10,000.
The net Capital Assets after depreciation are $15,585,730 at June 30, 2017.

	Balance June 30, 2016	2017 Additions	2017 Retirements / Reclassifications	Balance June 30, 2017
Capital Assets Depreciated:				
Buildings	$20,102,637	$ -	$ -	$20,102,637
Furniture & Equipment	2,178,662	228,782	(96,463)	2,310,981
Total Depreciated Assets	22,281,299	228,782	(96,463)	22,413,618
Less - Accumulated Depreciation:				
Buildings	$ 4,705,937	$ 402,053	$ -	5,107,990
Furniture & Equipment	1,679,135	119,140	(78,377)	1,719,898
Total Accumulated Depreciation	6,385,072	521,193	(78,377)	6,827,888
Total Depreciated Assets, Net	$15,896,227	$ (292,411)	$ (18,086)	$15,585,730

Long-Term Debt

The School District has bonds outstanding that were issued in June of 2011 for a capital project which included the addition of a new gymnasium, seven new classrooms and the renovation of the existing gym into an auditorium.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Long-Term Debt - Continued

Other long-term debt includes installment purchase debt related to an energy performance contract dated September 24, 2010.

Transportation related debt is shown in the chart below.

Term	Type	Amount	Issued	Financed
Five Year	Serial Bond	$ 104,737	September 2012	One Bus
Five Year	Serial Bond	$ 109,731	September 2013	One Bus
Five Year	Serial Bond	$ 104,357	September 2014	One Bus
Five Year	Serial Bond	$ 106,922	September 2015	One Bus
Five Year	Serial Bond	$ 110,852	September 2016	One Bus

The Long-Term Debt is broken down by current (within one year) and long term (after one year). At June 30, 2017 the School District had the following breakdown of debt.

Due and Payable Within One Year	$ 961,217
Due and Payable After One Year	7,453,446
Total Long Term Debt	$ 8,414,663

The last rating action from Moody's Investors Service, Inc. with respect to LaFargeville Central School District was on May 17, 2010 when the District's A2 rating was affirmed. The District's total outstanding indebtedness currently does not exceed its debt limit.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The District is continually attentive of the financial uncertainties at both the national and state level. As a majority of our revenues are procured through state aid, we also remain cognizant of possible implementation of state aid reform. The District's ability to raise revenue is further complicated in dealing with the property tax levy cap and added pressure to stay within the cap so that property owners may receive a State funded rebate. These demands will play a significant role in future budgets. Through conservative budgeting and careful planning, we strive to achieve financial stability in fulfilling our mission.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This 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 information, contact the Business Manager at the following address:

LaFargeville Central School District
PO Box 138
LaFargeville, New York, 13656

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
June 30, 2017

ASSETS		
Cash and Cash Equivalents		
Unrestricted	$	1,668,128
Restricted		2,496,175
Receivables		
State and Federal Aid		308,717
Due From Other Governments		174,835
Other		45,688
Inventories		10,460
Capital Assets, Net		15,585,730
TOTAL ASSETS	$	20,289,733
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	$	2,310,637
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	2,310,637
LIABILITIES		
Payables		
Accounts Payable	$	83,629
Accrued Liabilities		30,701
Accrued Interest on Bonds Payable		33,676
Due to Teachers' Retirement System		400,246
Due to Employees' Retirement System		37,817
Compensated Absences Payable		9,613
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		890,495
Installment Purchase Debt Payable		70,722
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		6,787,500
Installment Purchase Debt Payable		665,946
Compensated Absences Payable		139,192
Other Postemployment Benefits Payable		8,315,540
Net Pension Liability - Proportionate Share		580,165
TOTAL LIABILITIES	$	18,045,242
DEFERRED INFLOWS OF RESOURCES		
Pensions	$	144,922
TOTAL DEFERRED INFLOWS OF RESOURCES	$	144,922
NET POSITION		
Net Investment in Capital Assets	$	7,171,067
Restricted		
Capital		999,210
Other Legal Restrictions		1,496,965
Unrestricted (Deficit)		(5,257,036)
TOTAL NET POSITION	$	4,410,206

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General Support	$ 1,676,043	$ -	$ -	$ (1,676,043)
Instruction	8,107,417	6,949	640,875	(7,459,593)
Pupil Transportation	743,314	-	-	(743,314)
Debt Service - Interest	353,196	-	-	(353,196)
School Lunch Program	261,666	73,066	193,192	4,592
Total Functions and Programs	$ 11,141,636	$ 80,015	$ 834,067	(10,227,554)
GENERAL REVENUES				
Real Property Taxes				3,599,357
Other Tax Items				279,311
Use of Money and Property				12,753
Sale of Property and Compensation for Loss				19,163
State Sources				5,729,501
Federal Sources				33,995
Miscellaneous				130,873
Total General Revenues				9,804,953
Change in Net Position				(422,601)
Net Position - Beginning of Year, as Restated				4,832,807
Net Position - End of Year				$ 4,410,206

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Aid	Total Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents				
Unrestricted	$ 1,644,117	$ -	$ 24,011	$ 1,668,128
Restricted	2,496,175	-	-	2,496,175
Receivables				
Due From Other Funds	225,901	-	100,000	325,901
State and Federal Aid	82,816	225,901	-	308,717
Due From Other Governments	174,835	-	-	174,835
Other	45,688	-	-	45,688
Inventories	-	-	10,460	10,460
TOTAL ASSETS	$ 4,669,532	$ 225,901	$ 134,471	$ 5,029,904
LIABILITIES				
Payables				
Accounts Payable	$ 83,629	$ -	$ -	$ 83,629
Accrued Liabilities	28,817	-	1,884	30,701
Due to Other Funds	100,000	225,901	-	325,901
Compensated Absences	9,613	-	-	9,613
Due to Teachers' Retirement System	400,246	-	-	400,246
Due to Employees' Retirement System	37,817	-	-	37,817
Total Liabilities	660,122	225,901	1,884	887,907
FUND BALANCES				
Nonspendable	-	-	10,460	10,460
Restricted	2,496,175	-	-	2,496,175
Assigned	1,074,953	-	122,127	1,197,080
Unassigned	438,282	-	-	438,282
Total Fund Balances	4,009,410	-	132,587	4,141,997
TOTAL LIABILITIES AND FUND BALANCES	$ 4,669,532	$ 225,901	$ 134,471	$ 5,029,904

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

Total Fund Balance - Governmental Funds		$ 4,141,997
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Net Pension Liability - Proportionate Share - TRS		(211,098)
Net Pension Liability - Proportionate Share - ERS		(369,067)
Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements - Pensions		(144,922)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements - Pensions		2,310,637
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
The Cost of Capital Assets is	$ 22,413,618	
Accumulated Depreciation is	6,827,888	15,585,730
Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities, at year end, consist of:		
Bonds Payable	$ 7,240,852	
Installment Purchase Debt	736,668	
Accrued Interest on Bonds Payable	33,676	
Compensated Absences Payable	139,192	
Other Post Employment Benefits Payable	8,315,540	
Premium on Bond Issue	437,143	(16,903,071)
Total Net Position - Governmental Activities		$ 4,410,206

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	General	Special Aid	Total Non-Major Funds	Total Governmental Funds
REVENUES				
Real Property Taxes	$ 3,599,357	$ -	$ -	$ 3,599,357
Other Tax Items	279,311	-	-	279,311
Charges for Services	6,949	-	-	6,949
Use of Money and Property	12,753	-	-	12,753
Sale of Property and Compensation for Loss	37,249	-	-	37,249
State Sources	5,729,501	290,696	13,279	6,033,476
Medicaid Reimbursement	9,170	-	-	9,170
Federal Sources	24,825	350,179	162,735	537,739
Surplus Food	-	-	17,178	17,178
Sales - School Lunch	-	-	73,066	73,066
Miscellaneous	130,873	-	-	130,873
Total Revenues	9,829,988	640,875	266,258	10,737,121
EXPENDITURES				
General Support	1,196,574	-	111,010	1,307,584
Instruction	4,204,155	546,675	-	4,750,830
Pupil Transportation	400,917	-	-	400,917
Employee Benefits	2,272,076	94,528	47,903	2,414,507
Debt Service:				
Principal	877,644	-	-	877,644
Interest	410,610	-	-	410,610
Food Service Program:				
Cost of Sales	-	-	107,900	107,900
Capital Outlay	-	-	110,851	110,851
Total Expenditures	9,361,976	641,203	377,664	10,380,843
Excess (Deficiency) of Revenues Over Expenditures	468,012	(328)	(111,406)	356,278
OTHER FINANCING SOURCES AND (USES)				
Proceeds from Debt	-	-	110,852	110,852
Operating Transfers In	4,466	328	140,001	144,795
Operating Transfers (Out)	(140,328)	-	(4,467)	(144,795)
Total Other Financing Sources and (Uses)	(135,862)	328	246,386	110,852
Net Change in Fund Balance	332,150	-	134,980	467,130
Fund Balances - Beginning of Year	3,677,260	-	(2,393)	3,674,867
Fund Balances - End of Year	$ 4,009,410	$ -	$ 132,587	$ 4,141,997

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

Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds		$ 467,130
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlays	$ 228,782	
(Loss) on disposals	(18,086)	
Depreciation Expense	(521,193)	(310,497)
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		806,922
Repayment of installment purchase debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		70,722
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the reduction in accrued interest on bonds and amortization of premium on bond issue.		57,414
In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) and OPEB costs--are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(1,370,150)

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CONTINUED

Year Ended June 30, 2017

Some of the capital assets acquired were financed with long-term debt. The amount financed by the long-term debt is reported in the governmental funds as a source of financing. On the other hand, long-term debt is not revenue in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.			(110,852)
(Increase) decrease in proportionate share of net pension liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.			
Teachers' Retirement System	$	23,789	
Employees' Retirement System		(57,079)	(33,290)
Change in Net Position of Governmental Activities			$ (422,601)

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Private Purpose Trusts	Agency
ASSETS		
Cash	$ 68,723	$ 96,922
Total Assets	$ 68,723	$ 96,922
LIABILITIES		
Extra Classroom Activity Balances	$ -	$ 51,432
Other Liabilities	-	45,490
Total Liabilities	-	$ 96,922
NET POSITION		
Reserved for Scholarships	$ 68,723	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2017

	Private Purpose Trusts
ADDITIONS	
Gifts and Contributions	$ 600
Interest Earnings	238
Total Additions	838
DEDUCTIONS	
Scholarships and Awards	1,570
Change in Net Position	(732)
Net Position - Beginning of Year	69,455
Net Position - End of Year	$ 68,723

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of LaFargeville Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 used by the District are described below:

Reporting Entity

The 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 five members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls, all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

Extra Classroom Activity Funds

The Extra Classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom 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 Extra Classroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is one of 18 component school districts in the Jefferson-Lewis-Hamilton-Herkimer-Oneida 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 that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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, §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 $1,154,298 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $331,082. This represents state aid distributions of $232,627 and 2016 Fund balance returned to the schools of $98,455.

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

Basis of Presentation

District-Wide Statements

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

The Statement of Activities presents a comparison between direct program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

Fund Statements

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

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.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition or 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.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

The District reports the following fiduciary funds:

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

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

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

Measurement Focus and Basis of Accounting

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

The 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 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 collectible within 60 days after the end of the fiscal year.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting - Continued

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.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, 2016, and became a lien on August 8, 2016. Taxes are collected during the period September 1, 2016 to October 31, 2016.

Uncollected real property taxes are subsequently enforced by Jefferson County. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

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 the associated legal requirements, many of which are described elsewhere in these Notes.

Interfund Transactions

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

In the 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions - Continued

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported 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.

Cash and Cash Equivalents

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories and Prepaid Items

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

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. No prepaid items were recorded in the current year.

Capital Assets

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and Improvements	$ 10,000	SL	50 Years
Furniture and Equipment	5,000	SL	4 - 10 Years

The School District does not possess any infrastructure.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) 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. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the 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 periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources - 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 three (3) percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources - Continued

	ERS	TRS
Measurement Date	March 31, 2017	June 30, 2016
District's Proportionate Share of the Net Pension Asset (Liability)	$ (369,067)	$ (211,098)
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0039278%	0.019710%
Change in Proportion Since the Prior Measurement Date	-0.0000603%	-0.000193%

For the year ended June 30, 2017, the District's recognized pension expense of $208,454 for ERS and $349,577 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:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	$ 9,248	$ -	$ 56,045	$ 68,576
Changes of Assumptions	126,087	1,202,547	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	73,718	474,659	-	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	1,905	11,371	9,793	10,508
District's Contributions Subsequent to the Measurement Date	37,817	373,285	-	-
Total	$ 248,775	$ 2,061,862	$ 65,838	$ 79,084

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources - 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 for the year ended as follows:

	ERS	TRS
2018	$ 66,901	$ 147,224
2019	66,901	147,224
2020	61,589	515,857
2021	(50,271)	401,164
2022	-	184,203
Thereafter	-	213,821

Actuarial Assumptions

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

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%	1.9% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation Rate	2.5%	2.5%

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources - Continued

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

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

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

	ERS	**TRS**
Measurement Date	March 31, 2017	June 30, 2016
Asset Type		
Domestic Equity	4.55%	6.10%
International Equity	6.35%	7.30%
Private Equity	7.75%	
Real Estate	5.80%	5.40%
Absolute Return Strategies	4.00%	
Opportunistic Portfolio	5.89%	
Real Assets	5.54%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation-Indexed Bonds	1.50%	
Alternative Investments		9.20%
Domestic Fixed Income Securities		1.00%
Global Fixed Income Securities		0.80%
Short-term		0.10%
Mortgages		3.10%

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources - Continued

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. 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 asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.0% 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:

ERS	1% Decrease (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (1,178,728)	$ (369,067)	$ 315,499

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (2,754,249)	$ (211,098)	$ 1,921,964

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources - Continued

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:

	(In Thousands)		
	ERS	**TRS**	**Total**
Measurement Date	March 31, 2017	June 30, 2016	
Employer's Total Pension Asset (Liability)	$ (177,400,586)	$ (108,577,184)	$ (285,977,770)
Plan Net Position	168,004,363	107,506,142	275,510,505
Employer's Net Pension Asset (Liability)	$ (9,396,223)	$ (1,071,042)	$ (10,467,265)
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	94.70%	99.01%	

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, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $37,817 of employer contributions. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $400,246.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits

Compensated Absences

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

Other Benefits

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes are 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.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications

District-Wide Statements

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

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

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.

Unrestricted Net Position – reports the balance of other 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:

Non-Spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance included the inventory recorded in the School Lunch Fund of $10,460.

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:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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 the 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.

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 that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement.

Employee Benefit Accrued Liability

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

Retirement Contributions

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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 School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Restricted fund balance includes the following at June 30, 2017:

General Fund		
Capital	$	999,210
Employee Benefit Accrued Liability		87,732
Retirement Contributions		1,306,113
Unemployment Insurance		103,120
Total Restricted Funds	$	2,496,175

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

Assigned - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to $95,453 at June 30, 2017.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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 balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance

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

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 statements issued by GASB:

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

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.

GASB has issued Statement No. 80, *Blending Requirements for Certain Components Units - an amendment of GASB Statement No. 14*, effective for the year ending June 30, 2017.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018.

GASB has issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the year ending June 30, 2018.

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 85, *Omnibus 2017*, effective for the year ending June 30, 2018.

GASB has issued Statement No. 86 *Certain Debt Extinguishment Issues*, effective for the year ending June 30, 2018.

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 FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the funds 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.

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

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

1. 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.

2. 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.

3. Long-Term Debt Transaction Differences:

   Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the 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.

4. 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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. No supplemental appropriations occurred during the year.

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

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

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated budget).

Encumbrances

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash

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.

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	$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	$ 4,025,855

Deposits at year-end were fully collateralized.

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 $2,496,175 within the Governmental Funds

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.

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital Assets that are Depreciated:				
Buildings	$ 20,102,637	$ -	$ -	$ 20,102,637
Furniture and Equipment	2,178,662	228,782	(96,463)	2,310,981
	22,281,299	228,782	(96,463)	22,413,618
Less - Accumulated Depreciation:				
Buildings	4,705,937	402,053	-	5,107,990
Furniture and Equipment	1,679,135	119,140	(78,377)	1,719,898
Total Accumulated Depreciation	6,385,072	521,193	(78,377)	6,827,888
Total Depreciated Assets, Net	$ 15,896,227	$ (292,411)	$ (18,086)	$ 15,585,730

Depreciation expense was charged to governmental functions as follows:

General Support	$ 70,962
Instruction	333,937
Pupil Transportation	103,771
School Lunch Program	12,523
	$ 521,193

NOTE 6 - SHORT-TERM DEBT

There were no short-term debt transactions during the year ended June 30, 2017.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bond	$ 7,936,922	$ 110,852	$ 806,922	$ 7,240,852	$ 835,852
Premium on Bonds	491,785	-	54,642	437,143	54,643
Installment Purchase Debt	807,390	-	70,722	736,668	70,722
Total Bonds & Notes Payable	9,236,097	110,852	932,286	8,414,663	961,217
Other Liabilities					
Compensated Absences Payable	112,800	26,392	-	139,192	-
Other Post Employment Benefits Payable	6,971,782	1,343,758	-	8,315,540	-
Net Pension Liability - Proportionate Share	640,094	-	59,929	580,165	-
Total Other Liabilities	7,724,676	1,370,150	59,929	9,034,897	-
Total Government Activities	$ 16,960,773	$ 1,481,002	$ 992,215	$ 17,449,560	$ 961,217

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bond	06/08/11	06/15/25	3.0 - 5.0	$ 6,905,000
Bus Purchase	09/06/12	09/01/17	2.0 - 2.15	25,000
Bus Purchase	09/03/13	09/01/18	3	50,000
Bus Purchase	09/03/14	09/01/19	1.0 - 2.5	65,000
Bus Purchase	09/04/15	09/01/20	1.3-2.65	85,000
Bus Purchase	09/01/16	09/01/21	2.125-2.25	110,852
				$ 7,240,852

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - Continued

The following is a summary of debt service requirements at year ended June 30:

	Principal	Interest	Total
2018	$ 835,852	$ 352,836	$ 1,188,688
2019	845,000	313,234	1,158,234
2020	860,000	273,507	1,133,507
2021	885,000	232,409	1,117,409
2022	905,000	189,781	1,094,781
2023-2025	2,910,000	295,500	3,205,500
Total	$ 7,240,852	$ 1,657,267	$ 8,898,119

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

Interest Paid	$ 410,610
Less: Amortized Premium on Serial Bonds	(54,642)
Less: Interest Accrued in the Prior Year	(36,448)
Plus: Interest Accrued in the Current Year	33,676
Total Expense	$ 353,196

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - Continued

Installment Purchase Debt

The School District entered into a purchase agreement for expenditures under an energy performance contract dated September 24, 2010. The contract was refinanced on October 28, 2013. A summary of aggregate minimum annual maturities of installment purchase debt payments as of June 30 is as follows:

2018	$	94,216
2019		94,216
2020		94,216
2021		94,216
2022		94,216
2023-2026		376,864
		847,944
Less: Interest Computed on the Present Value of the Lease Payment at the Inception of the Lease Based on Individual Lease Terms		(111,276)
Present Value of Minimum Lease Payments	$	736,668

The energy performance contract is carried in fixed assets as "Buildings" at June 30, 2017 as follows:

Cost	$	1,078,126
Less: Accumulated Depreciation		(140,159)
Undepreciated Cost	$	937,967

NOTE 8 - PENSION PLANS

General Information

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - PENSION PLANS - Continued

Provisions and Administration

Teachers' Retirement System (TRS)

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Employees' Retirement System (ERS)

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tiers 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tiers 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

Tiers 3

Members who last joined on or after July 27, 1996 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tiers 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tiers 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tiers 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tiers 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of two additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service retirements above.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Retirement

In accordance with Chapter 640 of the Laws of 1998, any member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned i n the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided - Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1 .5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1 .75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary i s applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after I 0 years of service; in some cases, they are provided after five years of service.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided - Continued

Accidental Disability Benefits

For all eligible Tier I and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Worker s' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement , of a member who meets eligibility requirement s as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contributions

The Systems are noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the System more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 - PENSION PLANS - Continued

Contributions - Continued

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. The District chose to prepay the required contributions by December 15, 2016 and received an overall discount of $1,308. Required contributions for the current and two preceding years were:

	NYSTRS	NYSERS
2016-2017	$ 403,288	$ 154,013
2015-2016	524,103	176,561
2014-2015	468,823	199,446

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 ended 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.

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2017 are as follows:

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed grant programs. Unexpended funds from a capital project are transferred to the debt service fund upon completion.

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	$ 225,901	$ 100,000	$ 4,466	$ 140,328
Special Aid	-	225,901	328	-
Debt Service	-	-	1	4,466
Capital Projects	100,000	-	100,000	1
School Lunch	-	-	40,000	-
Total	$ 325,901	$ 325,901	$ 144,795	$ 144,795

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 10 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2017:

	General	School Lunch	Capital Projects	Total Governmental Funds
Nonspendable				
Supplies Inventory	$ -	$ 10,460	$ -	$ 10,460
Restricted				
Capital	999,210	-	-	999,210
Employee Benefit Liability	87,732	-	-	87,732
Retirement Cont.	1,306,113	-	-	1,306,113
Unemp. Insurance	103,120	-	-	103,120
Assigned				
Designated for Next Fiscal Year	979,500	-	-	979,500
School Lunch Fund	-	22,127	-	22,127
Capital Projects	-	-	100,000	100,000
General Support	40,105	-	-	40,105
Instruction	29,508	-	-	29,508
Pupil Transportation	25,840	-	-	25,840
Unassigned				
General Fund	438,282	-	-	438,282
Total Governmental Fund Balance	$ 4,009,410	$ 32,587	$ 100,000	$ 4,141,997

NOTE 11 – POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in the school year ended June 30, 2009. This required the District to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made. The Statement requires the District to recognize the cost of these benefits, rather than continuing to use the pay as you go method (recognize the cost as the retiree premiums and reimbursements are paid). This cost is referred to as the annual required contribution (ARC) and includes two components:

- Amortization of the unfunded actuarial liability (UAL) for the current year, the UAL being the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year.

- The actuarially-determined cost of future OPEB ascribed to, or "earned" in the current year (normal cost).

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

Eligible teachers and administrators are those who are at least age 55 with 10 or 15 years of service. Employees must also be eligible to retire under the ERS or TRS.

- Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for paying 100% of the plan premium.
- Participants retired prior to July 1, 2007 have varying contribution percentages based on the individual's contract. Participants retired after July 1, 2007 pay 10% of the individual premium for a single contract and 12% of the family premium for a dual contract.
- Medicare Part B premiums are reimbursed at 100% for Medicare-eligible retirees and dependents, but are not reimbursed for surviving spouses. For purposes of this valuation, we have assumed reimbursement at the basic level and that there will be no additional reimbursement due to the income surcharge.
- Retiree medical and prescription drug benefits are provided through the Provider Choice POS Plan and the Traditional Plan.
    - The Provider Choice POS Plan is a self-insured POS plan offered through the Plan.
    - The Traditional Plan is a self-insured indemnity plan offered through the Plan.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS -Continued

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 Plan:

Annual Required Contribution	$ 1,944,978
Interest on Net OPEB Obligation	278,871
Adjustment to Annual Required Contribution	(403,179)
Annual OPEB Cost (Expense)	1,820,670
Contributions Made	(476,912)
Increase in Net OPEB Obligation	1,343,758
Net OPEB Obligation - Beginning of Year	6,971,782
Net OPEB Obligation - End of Year	$ 8,315,540

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 1,820,670	26.19%	$ 8,315,540
June 30, 2016	1,749,362	25.38%	6,971,782
June 30, 2015	1,530,392	29.03%	5,666,445

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 – POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS -Continued

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date the Plan was 0% funded. The actuarial accrued liability for benefits was $20,210,061, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was $4,354,313, and the ratio of the UAAL to covered payroll was 464.14%.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the 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.

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. A summary of the methods and assumptions is provided below:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 - POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Actuarial Methods and Assumptions – Continued

Actuarial Methods and Assumptions	
Measurement Date	06/30/17
Investment Rate of Return	4.00%
Expected Return on Plan Assets	N/A
Expected Return on Employer's Assets	4.00%
Rate of Compensation Increase	N/A
Inflation Rate	2.25%
Assumed Pre-65 Medical Trend Rates at June 30	
Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.50%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075
Assumed Post-65 Medical Trend Rates at June 30	
Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.50%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075
Assumed Prescription Drug Trend Rates at June 30	
Health Care Cost Trend Rate Assumed for Next Fiscal Year	10.50%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075
Additional Information	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	Single Amortization Period
Amortization Period (in Years)	30
Amortization Period Status	Open
Method used to determine Actuarial Value of Assets	N/A

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 - RISK MANAGEMENT

General

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

Pooled Non-Risk-Retained

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to $750,000 per insured event. The pool obtains independent coverage for insured events in excess of the $750,000 limit, and the District has essentially transferred all related risk to the pool.

The District participates in the Black River Valley Schools 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. The District's share of the liability for unbilled and open claims is $0.

NOTE 13 - CONTINGENCIES AND COMMITMENTS

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 14 – LEASE OBLIGATIONS (OPERATING LEASES)

The District leases certain equipment (postage machine) under the terms of various non-cancelable leases. Rental expense for the year was $871.

Minimum annual rentals for each of the remaining years of the lease at June 30 are:

2018	$	871
2019		871
2020		871
2021		871
	$	3,484

NOTE 15 – DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of Scholarships.

Donor-restricted endowments are reported at fair value.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2017, which is the date of the issuance of the financial statements.

NOTE 17 – RESTATEMENT OF NET POSITION

Net Position Beginning of Year, as Previously Reported	$	4,389,065
Adjustment for overstatement of prior year expenditures relating to Deferred Outflows of Resources for pension plans		443,742
Net Position Beginning of Year, as Restated	$	4,832,807

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
July 1, 2016	$ -	$ 20,210,061	$ 20,210,061	0%	$ 4,354,313	464.14%
July 1, 2015	$ -	$ 19,091,944	$ 19,091,944	0%	$ 4,241,957	450.07%
July 1, 2014	$ -	$ 17,142,621	$ 17,142,621	0%	$ 4,151,002	412.98%

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

Year Ended June 30, 2017

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	$ 3,840,638	$ 3,599,570
Other Tax Items	36,000	277,068
Charges for Services	2,000	2,000
Use of Money and Property	8,500	8,500
Sale of Property and Compensation for Loss	7,500	7,500
Miscellaneous	132,427	132,427
Total Local Sources	4,027,065	4,027,065
State Sources	5,692,451	5,692,451
Medicaid Reimbursement	40,000	40,000
Federal Sources	20,000	20,000
Total Revenues	9,779,516	9,779,516
OTHER FINANCING SOURCES		
Transfers From Other Funds	4,464	4,464
Appropriated Reserves	175,000	175,000
Total Revenues and Other Financing Sources	9,958,980	9,958,980
EXPENDITURES		
General Support		
Board of Education	11,499	11,139
Central Administration	125,909	127,526
Finance	211,736	218,157
Staff	32,550	33,244
Central Services	824,201	887,309
Special Items	139,693	139,693
Total General Support	1,345,588	1,417,068
Instruction		
Instruction, Administration and Improvement	199,804	204,163
Teaching - Regular School	2,851,038	2,799,297
Programs for Children with Handicapping Conditions	972,528	972,528
Occupational Education	382,272	382,272
Instructional Media	159,433	206,390
Pupil Services	351,455	350,401
Total Instruction	4,916,530	4,915,051
Pupil Transportation	638,388	638,387
Employee Benefits	2,794,627	2,624,627
Debt Service	1,288,257	1,288,257
Total Expenditures	10,983,390	10,883,390
OTHER FINANCING USES		
Operating Transfers to Other Funds	41,600	141,600
Total Expenditures and Other Financing Uses	11,024,990	11,024,990
Net Change in Fund Balance	(1,066,010)	(1,066,010)
Fund Balances - Beginning	3,677,260	3,677,260
Fund Balances - End	$ 2,611,250	$ 2,611,250

Actual		Final Budget Variance With Actual
$ 3,599,357		$ (213)
279,311		2,243
6,949		4,949
12,753		4,253
37,249		29,749
130,873		(1,554)
4,066,492		39,427
5,729,501		37,050
9,170		(30,830)
24,825		4,825
9,829,988		50,472
4,466		2
-		(175,000)
9,834,454		$ (124,526)
	Year-End Encumbrances	**Final Budget Variance With Actual And Encumbrances**
10,186	$ 847	$ 106
125,621	1,905	-
211,547	16	6,594
27,791	500	4,953
689,984	36,837	160,488
131,445	-	8,248
1,196,574	40,105	180,389
196,616	-	7,547
2,642,845	8,434	148,018
561,762	3,840	406,926
292,288	-	89,984
200,433	2,721	3,236
310,211	14,513	25,677
4,204,155	29,508	681,388
400,917	25,840	211,630
2,272,076	-	352,551
1,288,254	-	3
9,361,976	95,453	1,425,961
140,328	-	1,272
9,502,304	$ 95,453	$ 1,427,233
332,150		
3,677,260		
$ 4,009,410		

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - NYSLRS PENSION PLAN
LAST 3 FISCAL YEARS
Ended June 30, 2017

	2017	2016	2015
Teachers' Retirement System (TRS)			
District's Proportion of the Net Pension Asset (Liability)	0.019710%	0.019903%	0.019531%
District's Proportion Share of the Net Pension Asset (Liability)	$ (211,098)	$ 2,067,320	$ 2,175,655
District's Covered-Employee Payroll	$ 3,185,025	$ 3,093,756	$ 3,013,755
District's Proportionate Share of the Net Pension Asset (Liability) as a percentage of its Covered-Employee Payroll	6.63%	66.82%	72.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)			
District's Proportion of the Net Pension Asset (Liability)	0.0039278%	0.0039881%	0.0042308%
District's Proportion Share of the Net Pension Asset (Liability)	$ (369,067)	$ (640,094)	$ (142,927)
District's Covered-Employee Payroll	$ 997,550	$ 970,690	$ 971,365
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered-Employee Payroll	37.00%	65.94%	14.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.70%	90.68%	97.95%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - NYSLRS PENSION PLAN
LAST 3 FISCAL YEARS
Ended June 30, 2017

	2017	2016	2015
Teachers' Retirement System (TRS)			
Contractually Required Contribution	$ 403,288	$ 524,103	$ 468,823
Contributions in Relation to the Contractually Required Contribution	403,288	524,103	468,823
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 3,185,025	$ 3,093,756	$ 3,013,755
Contributions as a Percentage of Covered-Employee Payroll	12.66%	16.94%	15.56%
Employees' Retirement System (ERS)			
Contractually Required Contribution	$ 154,013	$ 176,561	$ 199,446
Contributions in Relation to the Contractually Required Contribution	154,013	176,561	199,446
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 997,550	$ 970,690	$ 971,365
Contributions as a Percentage of Covered-Employee Payroll	15.44%	18.19%	20.53%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND
Year Ended June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 10,953,980
Add: Prior Year's Encumbrances	71,010
Original Budget	11,024,990
Budget Revision	-
Final Budget	$ 11,024,990

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2017-2018 Voter Approved Expenditure Budget		$ 11,140,908
Maximum Allowed 4% of 2017-2018 Budget		445,636
General Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Assigned Fund Balance	$ 1,074,953	
Unassigned Fund Balance	438,282	
Total Unrestricted Fund Balance	1,513,235	
Less:		
Appropriated Fund Balance	979,500	
Encumbrances Included in Assigned Fund Balance	95,453	
Total Adjustments	1,074,953	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 438,282
Actual Percentage		3.93%

SCHEDULE OF CAPITAL PROJECT FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Expenditures: Prior Year	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: BANS Redeemed From Appropriations	Methods of Financing: Proceeds Of Obligations	Methods of Financing: State Aid	Methods of Financing: Local Sources	Total	Fund Balance 6/30/2017
Buses	$ 110,852	$ 110,852	$ -	$ 110,852	$ 110,852	$ -	$ -	$ 110,852	$ -	$ -	$ 110,852	$ -
Emergency Capital Outlay	100,000	100,000	-	-	-	-	-	-	-	100,000	100,000	100,000
Totals	$ 210,852	$ 210,852	$ -	$ 110,852	$ 110,852	$ -	$ -	$ 110,852	$ -	$ 100,000	$ 210,852	$ 100,000

COMBINED BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017

	School Lunch	Debt Service	Capital Projects	Total Non-Major Funds
ASSETS				
Cash and Cash Equivalents				
Unrestricted	$ 24,011	$ -	$ -	$ 24,011
Receivables				
Due From Other Funds	-	-	100,000	100,000
Inventories	10,460	-	-	10,460
TOTAL ASSETS	34,471	-	100,000	134,471
LIABILITIES				
Payables				
Accrued Liabilities	1,884	-	-	1,884
Total Liabilities	1,884	-	-	1,884
FUND BALANCES				
Nonspendable	10,460	-	-	10,460
Assigned	22,127	-	100,000	122,127
Total Fund Balances	32,587	-	100,000	132,587
TOTAL LIABILITIES AND FUND BALANCES	$ 34,471	$ -	$ 100,000	$ 134,471

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	School Lunch	Debt Service	Capital Projects	Total Non-Major Funds
REVENUES				
State Sources	$ 13,279	$ -	$ -	$ 13,279
Federal Sources	162,735	-	-	162,735
Surplus Food	17,178	-	-	17,178
Sales - School Lunch	73,066	-	-	73,066
Total Revenues	266,258	-	-	266,258
EXPENDITURES				
General Support	111,010	-	-	111,010
Employee Benefits	47,903	-	-	47,903
Cost of Sales	107,900	-	-	107,900
Capital Outlay	-	-	110,851	110,851
Total Expenditures	266,813	-	110,851	377,664
Excess (Deficiency) of Revenues Over Expenditures	(555)	-	(110,851)	(111,406)
OTHER FINANCING SOURCES AND (USES)				
Proceeds from Debt	-	-	110,852	110,852
Operating Transfers In	40,000	1	100,000	140,001
Operating Transfers (Out)	-	(4,466)	(1)	(4,467)
Total Other Financing Sources (Uses)	40,000	(4,465)	210,851	246,386
Net Change in Fund Balance	39,445	(4,465)	100,000	134,980
Fund Balances - Beginning of Year	(6,858)	4,465	-	(2,393)
Fund Balances - End of Year	$ 32,587	$ -	$ 100,000	$ 132,587

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

NET INVESTMENT IN CAPITAL ASSETS
Year Ended June 30, 2017

Capital Assets, Net		$ 15,585,730
Deduct:		
Premium on Bonds Payable	$ 437,143	
Short-Term Portion of Installment Purchase Debt Payable	70,722	
Long-Term Portion of Installment Purchase Debt Payable	665,946	
Short-Term Portion of Bonds Payable	835,852	
Long-Term Portion of Bonds Payable	6,405,000	8,414,663
Net Investment in Capital Assets		$ 7,171,067

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

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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*

BOARD OF EDUCATION
LAFARGEVILLE CENTRAL SCHOOL DISTRICT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the LaFargeville 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 LaFargeville Central School District's basic financial statements and have issued our report thereon dated September 26, 2017.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LaFargeville 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 statements 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.

Bowers & Company

Watertown, New York
September 26, 2017

EXTRA CLASSROOM ACTIVITY FUNDS

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INDEPENDENT AUDITORS' REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

BOARD OF EDUCATION
LAFARGEVILLE CENTRAL SCHOOL DISTRICT

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of LaFargeville Central School District for the year ended June 30, 2017, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement 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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of LaFargeville Central School District for the year ended June 30, 2017, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is 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 that matter.

Bowers & Company

Watertown, New York
September 26, 2017

EXTRA CLASSROOM ACTIVITY FUNDS - STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2017

	Cash Balance 7/1/2016	Cash Receipts	Cash Disbursements	Cash Balance 6/30/2017
Class of:				
2017	$ 6,242	$ 28,716	$ 34,958	$ -
2018	3,093	12,999	8,099	7,993
2019	2,575	4,145	2,652	4,068
2020	703	5,113	3,501	2,315
2021	-	1,806	1,494	312
Student Council	8,851	2,471	2,441	8,881
Yearbook	123	9,041	8,391	773
Prom Fund	1,264	2,058	2,347	975
Drama Club	10,490	12,720	11,607	11,603
Band Fund	658	250	-	908
Chorus	802	-	63	739
French Club	6,724	11,291	10,615	7,400
Spanish Club	2,972	8,763	7,594	4,141
Softball	58	1,140	1,090	108
Soccer	155	3,035	2,485	705
Baseball	1	500	496	5
Basketball	2,495	7,812	9,801	506
Total	$ 47,206	$ 111,860	$ 107,634	$ 51,432

EXTRA CLASSROOM ACTIVITY FUNDS - NOTE TO FINANCIAL STATEMENT
Year Ended June 30, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the LaFargeville Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of the LaFargeville Central School District are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.

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To the Board of Education
LaFargeville Central School District

In planning and performing our audit of the financial statements of LaFargeville Central School District for the year ended June 30, 2017, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment and suggestion regarding this matter.

Condition: Document Approval of Budget Transfers in the Board Minutes

The Board properly approved an emergency capital project and authorized expenditure from the general fund not to exceed \$100,000 for such purpose as documented in the board minutes. However, we noted that the budget transfer entry of \$100,000 from Hospital and Medical Insurance to the Transfer to the Capital Fund (Interfund Transfer) was not documented in the board minutes.

Recommendation

We recommend that significant budget transfers be approved by the board and documented in the board minutes. The District may wish to consider establishing a dollar threshold that authorizes the superintendent to authorize budget transfers within limits as established by the board.

Management's Response

Going forward we will document in Board minutes budget transfers exceeding limits as established by the Board.

We appreciate the opportunity to conduct the audit and would like to express our thanks to the staff for the fine cooperation extended to us during the course of the audit.

Bowers & Company

Watertown, New York
September 26, 2017

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September 26, 2017

To the President and Members
Of the Board of Education of the
LaFargeville Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of LaFargeville Central School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 17, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LaFargeville Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2016-2017 school year. We noted no transactions entered into by LaFargeville Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements was:

> Management's estimate of depreciation is based on economic useful lives of capital asset classes. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to LaFargeville Central School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LaFargeville Central School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund, Schedule of Funding Progress for the "Plan", Schedule of District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan* and *Schedule of District's Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Sources, Combining Balance Sheet - Non-Major Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds,* and *Net Investment in Capital Assets,* which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and Management of LaFargeville Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company