

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2017  
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### **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Windham-Ashland-Jewett Central School District  
Windham, New York

#### **Report on the Financial Statements**

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

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that 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 Windham-Ashland-Jewett Central School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 19, and the schedule of funding progress - other post employment benefits plans, budgetary comparison information, schedules of proportionate share of net pension asset or liability, and schedules of district pension contributions and on pages 54 to 58 be presented to supplement the 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 the financial reporting for placing the basic financial statements in the 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 consist of inquiries of management about the methods of preparing the information and comparing the information with 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 Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Windham-Ashland-Jewett Central School District's basic financial statements. The schedules of change from adopted budget to final budget and real property tax limit, schedule of capital fund project expenditures, and schedule of capital assets, net of related debt (pages 59 to 62) is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required by the New York State Education Department. 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 Other Supplementary Information is fairly presented 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 28, 2017, on our consideration of the Windham-Ashland-Jewett Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 Windham-Ashland-Jewett Central School District's internal control over financial reporting and compliance.

*Alexander Varga & Co.*

September 28, 2017



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The Windham-Ashland-Jewett CSD Management Discussion and Analysis section of the annual independent audit provides an opportunity for the District to comment on significant financial issues that have and may impact the financial stability of the District. This commentary offers readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017 and encourages readers to consider the information presented here in conjunction with the information found within the financial statements.

The overall 2016-2017 budget was \$11,731,428, representing a \$72,670, or 0.623% percent spending increase from the previous year. The tax levy impact of the 2016-2017 increase was 0.65%, which was below the state tax cap and conformed with the state tax freeze legislation requirements as well.

The District applied \$250,000 of unexpended funds from the budget towards the local share of the tax levy, as previously done for the past several years. The District maintains an unappropriated fund balance of under 4%, which may be used for unexpected expenditures.

During the 2016-2017 budget year, New York State eliminated the remnants of the Gap Elimination Adjustment (GEA) Assessment, which reduced aid payments to public schools in order to help balance state budget shortfalls. During the time of the GEA, Windham-Ashland-Jewett CSD received approximately \$1,130,000 less in state aid payments.

The District conducted a thorough building condition survey as required by NYSED and has identified several areas of needed repair or replacement. During 2016-2017, the District repaired the existing bus garage lift to conform to safety standards and the building condition survey.

The District's fiscal condition remains stable and strong.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the district-wide statements. The 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 for the year.

Figure A-1 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.

**Figure A-1** Major Features of the District-Wide and Fund Financial Statements

|  | District-Wide  | Fund Financial Statements   |  |
|--|--|---|--|
|  |  | Governmental Funds  | Fiduciary Funds  |
| Scope                                  | Entire District (except fiduciary funds)   | The activities of the School District that are not proprietary or fiduciary, such as 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          | <ul style="list-style-type: none"> <li>•Statement of net assets</li> <li>•Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>•Balance sheet</li> <li>•Statement of revenues, expenditures, and changes in fund balances</li> </ul>                                      | <ul style="list-style-type: none"> <li>•Statement of fiduciary net assets</li> <li>•Statement of changes in fiduciary net assets</li> </ul>        |
| 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 year, regardless of when cash is received or paid                           | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid  |

## District-Wide Statements

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School District's assets and liabilities. 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 assets* and how they have changed. Net assets – the difference between the School District's assets and liabilities – is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net assets 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 nonfinancial 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).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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.



- **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

**FIGURE A - 2**

### Condensed Statement of Net Assets (in thousands of dollars)

|  | Governmental Activities<br>and Total School District |                | \$              | %        |
|--|--|----------------|-----------------|----------|
|  | June 30, 2016  | June 30, 2017  | Change          | Change   |
| Current and Other Assets                           | \$ 3,450   | \$ 3,346       | \$ (104)        | -3.01%   |
| Capital Assets                                     | 19,511   | 18,856         | (655)           | -3.36%   |
| Net Pension Asset                                  | <u>2,537</u>   | <u>-</u>       | <u>(2,537)</u>  | -100.00% |
| Total Assets                                       | \$ 25,498  | \$ 22,202      | \$ (3,296)      | -12.93%  |
| Deferred Outflow of Resources                      |  |                |                 |          |
| Pensions   | \$ 1,391   | \$ 2,907       | \$ 1,516        | 108.99%  |
| Defeasance Loss                                    | <u>715</u>   | <u>678</u>     | <u>(37)</u>     | -5.17%   |
| Total Deferred Outflows                            | \$ 2,106   | \$ 3,585       | \$ 1,479        | 70.23%   |
| Long-Term Debt Outstanding                         | \$ 24,119  | \$ 23,890      | \$ (229)        | -0.95%   |
| Net Pension Liability                              | 647  | 608            | (39)            | -6.03%   |
| Other Liabilities                                  | <u>717</u>   | <u>629</u>     | <u>(88)</u>     | -12.27%  |
| Total Liabilities                                  | \$ 25,483  | \$ 25,127      | \$ (356)        | -1.40%   |
| Deferred Inflow of Resources                       |  |                |                 |          |
| Pensions   | <u>\$ 960</u>  | <u>\$ 155</u>  | <u>\$ (805)</u> | -83.85%  |
| Total Deferred Inflows                             | \$ 960   | \$ 155         | \$ (805)        | -83.85%  |
| Net Assets   |  |                |                 |          |
| Invested in Capital Assets,<br>Net of Related Debt | \$ 4,376   | \$ 4,311       | \$ (65)         | -1.49%   |
| Restricted   | 1,990  | 1,931          | (59)            | -2.96%   |
| Unrestricted                                       | <u>(5,205)</u>                                       | <u>(5,736)</u> | <u>(531)</u>    | 10.20%   |
| Total Net Assets                                   | <u>\$ 1,161</u>                                      | <u>\$ 506</u>  | <u>\$ (655)</u> |          |

## **Discussion:**

Figure A-2 presents the District's Statement of Net Assets in a summarized format. The complete statement appears on page 1 of the basic financial statements. The statement above compares the District's financial condition as of the last day of its fiscal year, June 30, 2017, with that of the last day of the previous year, June 30, 2016.

This presentation is often described as a "snapshot" view of the District's finances. It compares the Assets held by the District (e.g. Cash, Accounts Receivable, Buildings, Equipment, etc.), and Deferred Outflows of Resources, with Liabilities owed by the District (e.g. Accounts Payable, Pension and Employee Sick Time Obligations, etc.) and Deferred Inflows of Resources as of June 30 and reports the difference as Net Assets. This Net Asset amount is separated into three components: 1) the amount attributable to the District's Capital Assets (Buildings and Equipment, reported at historical cost, then reduced by accumulated depreciation and related debt, if any), 2) amounts restricted either by law or by the Board of Education for future expenditure, and 3) unrestricted funds available to finance District operations.

Figure A-2 reports that the District's total Net Assets decreased by \$655 thousand from June 30, 2016 to June 30, 2017. Of this total, the amount of Net Assets Invested in Capital Assets Net of Related Debt decreased by \$65 thousand, Restricted Net Assets decreased by \$59 thousand, and Unrestricted Net Assets increased by \$531 thousand. The change in Restricted Net Assets will be discussed in the sections of this document following Figure A-3. A discussion of the District's Investment in Capital Assets, Net of Related Debt follows Figure A-6, and a reconciliation of Changes in Unrestricted Net Assets is presented in Figure A-7.

Current and Other Assets decreased by \$104 thousand. Included in this decrease is a \$79 thousand decrease in Cash, primarily in the General Fund, an \$11 thousand decrease in the amount of aid receivable from the State of New York, and a \$14 thousand decrease in the amount of aid receivable from BOCES.

Capital Assets decreased by \$655 thousand. The District acquired \$163 thousand of capital assets during the year, and recorded depreciation expense of \$818 thousand. Changes in Capital Assets is further illustrated and discussed in Figure A-6 to follow.

The District records as an asset its share of the Net Pension Asset as reported by the New York State Teachers' Retirement System. On June 30, 2016 this amount was \$2.537 million. As of June 30, 2017, however, the Teachers' Retirement System no longer recorded a Net Pension Asset. Due to changes in investment performance and measurement, the system is recording a Net Pension Liability as of June 30, 2017.

The District records Deferred Outflows of Resources related to its pension obligations due to the fact that the pension systems use measurement dates that are different from the District's year end date. As of June 30, 2017, the amount reported as Deferred Outflows of Resources related to its pension liability of \$2.9 million, an increase of \$1.516 million from the previous year. This increase is the result of changes in economic and demographic assumptions and estimates.

The District also records as Deferred Outflows an amount related to a previous bond refunding, also referred to as bond defeasance. A deferred charge on refunding results from the difference in carrying

value of the refunded debt and its reacquisition price. The district recorded a \$37 thousand expense as the current year's share of this deferred charge. The Deferred Outflow from Bond Defeasance Deferred Charge, therefore, decreased by \$37 thousand.

Long-Term Debt Outstanding consists of liabilities for Bonds Payable (\$14.545 million), Compensated Absences (accumulated sick leave), (\$149 thousand), and a liability for "Other Post Employment Benefits" (\$9.2 million).

Long-Term Debt decreased by \$229 thousand from year to year. Factors in the change include principal payments totaling \$590 thousand made on existing Bonds Payable, a decrease in the liability for Compensated Absences of \$36 thousand, and an increase in the OPEB liability of \$397 thousand.

The District records as a liability its share of the Net Pension Liabilities as reported by the New York State Teachers' Retirement System and Employees Retirement System. On June 30, 2017 this amount was \$608 thousand, a \$39 thousand decrease from the prior year end.

The category Other Liabilities decreased by \$88 thousand during the year. This decrease is due primarily to a decrease in amounts recorded as accounts payable and accrued expenses as of June 30, 2017.

The District records Deferred Inflows of Resources related to its pension obligations due to the fact that the pension systems use measurement dates that are different from the District's year end date. As of June 30, 2017, the amount reported as Deferred Outflows of Resources related to its pension liability of \$155 thousand, a decrease of \$805 thousand from the previous year. This decrease is the result of changes in economic and demographic assumptions and estimates.

As previously noted, a discussion of the changes in Restricted Net Assets follows Figure A-3, and changes in Investment in Capital Assets, Net of Related Debt, are discussed following Figure A-6. An additional analysis of the change in Unrestricted Net Assets appears in Figure A-7.

**FIGURE A –3**

**Statement of Changes in Restricted Net Assets (in whole dollars)**

|  | Reserve Balances as of: |                      | \$<br>Change       |
|--|-------------------------|----------------------|--------------------|
|  | <u>June 30, 2016</u>    | <u>June 30, 2017</u> |                    |
| Net Assets Restricted for:                 |                         |                      |                    |
| Reserve for Debt Service                   | \$ 828,543              | \$ 830,202           | 1,659              |
| Capital Reserves                           | \$ 153,385              | \$ 153,692           | 307                |
| Other Restricted Net Assets                |                         |                      |                    |
| Repair Reserve                             | \$ 126,134              | \$ 126,387           | 253                |
| Unemployment Insurance Reserve             | 182,296                 | 182,661              | 365                |
| Liability Insurance Reserve                | 301,385                 | 251,967              | (49,418)           |
| Employee Benefit Accrued Liability Reserve | <u>398,168</u>          | <u>386,167</u>       | <u>(12,001)</u>    |
| Total Other Reserves                       | \$ <u>1,007,983</u>     | \$ <u>947,182</u>    | \$ <u>(60,801)</u> |
| Total Restricted Net Assets                | \$ <u>1,989,911</u>     | \$ <u>1,931,076</u>  | \$ <u>(58,835)</u> |

**Discussion:**

Figure A-3 compares the year-end balances of the District's various reserves. In the Statement of Net Assets, these reserves are characterized as Restricted Net Assets.

Generally speaking, Reserves are funds set aside for future expenditure by statute, voter proposition, or Board approval. Each Reserve has its own legal basis determining how it may be established, funded, and expended. For a discussion of the nature and restrictions of the reserves used by the District, please refer to the Notes to Financial Statements.

Figure A-3 shows the changes in the Restricted Net Assets from June 30, 2016 to June 30, 2017. During the year the District appropriated \$50 thousand of the Liability Insurance Reserve to pay a legal settlement. The District also appropriated \$13 thousand to pay for the retirement incentives of a non-instructional employee.

The other changes were the result of interest earned on reserve account balances during the year.

**Figure A-4****Summary of Statement of Activities (In Thousands of Dollars)**

|  | Governmental Activities<br>and Total School District<br>Year Ended June 30 |                 | \$                | %       |
|--|--|-----------------|-------------------|---------|
|  | 2016   | 2017            | Change            | Change  |
| <b>Revenues</b>                          |  |                 |                   |         |
| Property Taxes                           | 9,615  | 9,681           | 66                | 0.69%   |
| State Aid, not restricted                | 1,451  | 1,486           | 35                | 2.41%   |
| Federal Aid, not restricted              | -  | -               | -                 |         |
| Interest Earnings                        | 10   | 9               | (1)               | -10.00% |
| Medicaid Reimbursement                   | 3  | 4               | 1                 | 33.33%  |
| Sale of Property, Compensation for Loss  | -  | 11              | 11                | 100.00% |
| Miscellaneous                            | 134  | 205             | 71                | 52.99%  |
| Total Revenues                           | \$ 11,213  | \$ 11,396       | \$ 183            | 1.63%   |
| <b>Expenses</b>                          |  |                 |                   |         |
| Instruction                              | \$ 5,518   | \$ 6,192        | \$ 674            | 12.21%  |
| General Support                          | 3,115  | 3,660           | \$ 545            | 17.50%  |
| Transportation                           | 652  | 787             | 135               | 20.71%  |
| Debt Service - Interest                  | 577  | 553             | (24)              | -4.16%  |
| Depreciation                             | 852  | 818             | (34)              | -3.99%  |
| Amortization Defeasance Loss             | 37   | 37              | -                 | 0.00%   |
| Cost of Sales - Food                     | 10   | 3               | (7)               | -70.00% |
| Total Expenses                           | \$ 10,761  | \$ 12,050       | \$ 1,289          | 11.98%  |
|  |  |                 | -                 |         |
| <b>Increase (Decrease) in Net Assets</b> | <u>\$ 452</u>  | <u>\$ (654)</u> | <u>\$ (1,106)</u> |         |

**Discussion:**

Figure A-4 presents information from the Statement on Activities (page 2 of the financial statements) in a format that facilitates a comparison between the current and prior year. For the fiscal year ended June 30, 2017, Total Revenues of \$11.396 million were exceeded by Total Expenses of \$12.050 million, resulting in a decrease in Net Assets of \$654 thousand. Total Revenues increased by \$183 thousand from fiscal year-ended June 30, 2016 to 2017. Total Expenditures increased by \$1.289 million.

Among revenue items, the largest changes were to Property Taxes, which increased by \$66 thousand, and Federal and State Aid, which increased by \$35 thousand. Miscellaneous Revenues increased by \$71 thousand, the result of the District receiving \$73 thousand in donations during the year.

Total Expenses from governmental activities was \$12.050 million for the year. District payroll and employee benefits comprised 71.78% of total government expenses. District payroll for the year was \$4.938 million, and employee benefits were \$3.711 million. Of the total increase in District expenditures of \$1.289 million, an increase in payroll accounted for \$108 thousand, and an increase in employee benefits accounted for \$957 thousand.

## Figure A-5

### Analysis of Employee Benefits

|                                 | Year Ended June 30, |                  | Increase       |
|---------------------------------|---------------------|------------------|----------------|
|                                 | 2016                | 2017             | (Decrease)     |
| Employees Retirement            | 226,740             | 215,407          | (11,333)       |
| Teacher's Retirement            | (320,712)           | 540,399          | 861,111        |
| Social Security                 | 368,470             | 373,976          | 5,506          |
| Workers' Compensation Insurance | 45,467              | 38,899           | (6,568)        |
| Unemployment Insurance          | 8,147               | 10,358           | 2,211          |
| Health Insurance                | 2,008,013           | 2,149,344        | 141,331        |
| Contractual Benefits            | 22,998              | 21,411           | (1,587)        |
| Compensated Absences            | 15,805              | (35,681)         | (51,486)       |
| Other Post-Employment Benefits  | 378,894             | 396,460          | 17,566         |
|                                 | <u>2,753,822</u>    | <u>3,710,573</u> | <u>956,751</u> |

By applying the accounting standard GASB 68, the District's annual pension expense is calculated by using the District's annual contributions to the TRS and ERS systems, and is then further adjusted by changes in actual versus estimated investment performance and actuarial assumptions used by both systems.

For the year ended June 30, 2017 the expense for Employees Retirement was calculated by combining the District's required annual contribution of \$134,266 with a GASB 68 adjustment of \$81,141 resulting in an expense of \$215,407, an \$11,333 decrease from the previous year.

For the year ended June 30, 2017 the expense for Teachers Retirement was calculated by combining the \$443,401 annual contribution for the year with a GASB 68 adjustment of 96,998 resulted in an expense of \$540,399 an increase from the previous year of 861,111. In the previous year, the District incurred a negative expense (recovery) as the result of a GASB 65 downward adjustment.

The Compensated Absences Expense is the estimated expense for sick time that will be payable in the future to current employees upon their retirement. The estimated liability decreased during the year by \$35,681, a \$51,486 negative swing from the year before.

Other Post Employment Benefits is the estimated expense for future health insurance costs for all District retirees. The estimated liability increased by \$396,460 during the year.

Please note that on the Statement of Activities (page 2 of the financial statements) Payroll Expenses are included in each expense category while Employee Benefits are allocated among all expense categories (i.e. Instruction, General Support, Transportation) based on each code's relative payroll expense.

## Capital Asset and Debt Administration

**Figure A-6**

**Investment in Capital Assets, Net of Related Debt (in thousands of dollars)**

|   | Balance<br>June 30, 2016 | Balance<br>June 30, 2017 | \$<br>Change   |
|---|--------------------------|--------------------------|----------------|
| Capital Assets, at historical cost:                       |                          |                          |                |
| Land (not depreciable)                                    | \$ 602                   | \$ 602                   | \$ -           |
| Construction in Progress<br>(depreciable upon completion) | -                        | -                        | -              |
| Buildings   | 25,133                   | 25,133                   | -              |
| Furniture, equipment & computers                          | 4,873                    | 5,036                    | 163            |
| Total historical cost                                     | <u>\$ 30,608</u>         | <u>\$ 30,771</u>         | <u>\$ 163</u>  |
| Less: Accumulated depreciation:                           |                          |                          |                |
| Buildings   | \$ 7,129                 | \$ 7,734                 | \$ 605         |
| Furniture, equipment & computers                          | 3,968                    | 4,181                    | 213            |
| Total Accumulated depreciation                            | <u>\$ 11,097</u>         | <u>\$ 11,915</u>         | <u>\$ 818</u>  |
| Total historical cost, net of depreciation                | \$ 19,511                | \$ 18,856                | \$ (655)       |
| Less: Related Debt  | <u>(15,135)</u>          | <u>(14,545)</u>          | <u>590</u>     |
| Investment in Capital Assets                              | <u>\$ 4,376</u>          | <u>\$ 4,311</u>          | <u>\$ (65)</u> |

During the fiscal year ended June 30, 2017 the District's invested \$163 thousand in Capital Assets. The District recorded Depreciation Expense in the amount of \$818 thousand, and reduced its outstanding debt by \$590 thousand, resulting in a \$65 thousand decrease in its Investment in Capital Assets, Net of Related Debt.

The Budget presented to District voters separates asset purchases among the various budget functions (e.g. Instruction, Administration, Transportation), and treats these purchases as current year's expenditures. The Statement of Net Assets (page 1), and Statement of Activities (page 2) are prepared according to accounting standards known as GASB 34. In these financial statements amounts paid for Capital Assets such as Buildings and Equipment are written off over time, or *depreciated*.

Please note that Capital Assets are recorded at *historical cost*, rather than *replacement cost* or *fair market value*. Capital Assets are depreciated over their estimated useful lives, in order to theoretically reflect their diminishing economic utility. A further discussion of depreciation methods follows in the Notes to Financial Statements.

## FIGURE A –7

### Reconciliation of Changes in Unrestricted Net Assets (in thousands of dollars)

|   | Governmental Activities<br>and Total School District<br>Year Ended June 30<br>2017 |                |                     |
|---|--|----------------|---------------------|
| Unrestricted Net Assets, beginning of year      | \$   | (5,205)        | Figure A-2          |
| Decrease in Net Assets for the year             |  | (655)          | Figures A-2 and A-4 |
| Decrease in Capital Assets, Net of Related Debt |  | 65             | Figure A-6          |
| Decrease in Restricted Net Assets               |  | 59             | Figure A-3          |
| Unrestricted Net Assets, end of year            | \$   | <u>(5,736)</u> | Figure A-2          |

Figure A-7 presents an analysis of the change in Unrestricted Assets from the beginning of the fiscal year (July 1, 2016), to the end of the year (June 30, 2017). Note that the District started the year with a negative balance in Unrestricted Net Assets of (\$5.205 million). The Statement of Activities reported a decrease in Net Assets for the year of \$655 thousand. Capital Assets, Net of Related Debt, decreased by \$65 thousand, and Restricted Net Assets decreased by \$59 thousand.



## Financial Analysis of the School District's Funds

**Figure A-8**

**Fund Balances (in thousands of dollars)**

|   | Total Governmental Funds |                 | \$             |
|---|--------------------------|-----------------|----------------|
|   | June 30, 2016            | June 30, 2017   | Change         |
| Non-Spendable                             | \$ 4                     | \$ 4            | \$ -           |
| Restricted:                               |                          |                 |                |
| Reserve for Debt Service                  | \$ 829                   | \$ 830          | \$ 1           |
| Capital Reserves                          | 153                      | 154             | 1              |
| Other Reserves                            | <u>1,008</u>             | <u>947</u>      | <u>(61)</u>    |
| Total Reserved Fund Balance               | \$ 1,990                 | \$ 1,931        | \$ (59)        |
| Committed                                 | \$ -                     | \$ -            | \$ -           |
| Assigned                                  |                          |                 |                |
| Designated to reduce next year's tax levy | \$ 250                   | \$ 250          | \$ -           |
| Outstanding Encumbrances                  | <u>26</u>                | <u>60</u>       | <u>34</u>      |
| Total Designated Fund Balance             | \$ 276                   | \$ 310          | \$ 34          |
| Unassigned                                | <u>\$ 491</u>            | <u>\$ 499</u>   | <u>\$ 8</u>    |
| Total Fund Balance                        | <u>\$ 2,761</u>          | <u>\$ 2,744</u> | <u>\$ (17)</u> |

### Discussion:

Figure A-7 presents an analysis of year-end fund balance for the combined Governmental Funds (General Fund, Capital Fund, Special Aid, and Lunch Fund). This table explains in greater detail financial data available on page three of the Financial Statements, *Balance Sheet – Governmental Funds*.

School Districts are prohibited under Section 1318 of the Real Property Tax Law from maintaining an Unassigned Fund Balance the General Fund in excess of 4% of the District's budget for the upcoming year. As of June 30, 2017 the District had an Unassigned Fund Balance in the General Fund of \$475,892 which represented 3.98 % of its 2017-2018 budget of \$11,957,611.

## **General Fund Budgetary Highlights**

District voters approved a 2016-2017 School Budget in the amount of \$11,731,428.

The District records this Budget in its General Fund, and follows certain policies and procedures to insure that District expenditures adhere to the spending plan approved by District voters. For instance, the District uses an Encumbrance system to ensure that funds are available prior to being spent. In addition, the Superintendent and Board of Education must approve any transfers of funds between Budget codes.

An analysis of General Fund activity appears as Supplemental Schedule #1, in the financial statements. This schedule reports Revenues, Expenditures and Changes in Fund Balance for the General Fund for the year and compares Original Budget, Final Budget, and Actual amounts for the current year, as well as Actual amounts for the prior year. The Original Budget represents the Budget as approved by voters. The Final Budget reflects, in total, "Carry-over" Encumbrances from the prior year plus any separate propositions. A summary of these changes from Original to Final Budget appears as Supplemental Schedule #2. As stated earlier, the Superintendent and Board of Education have the authority to make transfers among and between budget codes. These transfers do not increase the Budget, and are fully reflected in the Final Budget column.

Variances will occur from time to time between Original Budget, Final Budget, and Actual amounts. Events may occur that are not expected, and contingencies that are provided for may not come to pass.

### **DISTRICT ENGAGED IN IMPLEMENTING CORRECTIVE ACTIONS FROM PREVIOUS 2016-2017 AUDIT**

Based on auditor recommendations from the previous school year review, the District developed a specific corrective action plan. The plan included one action that addressed auditor commentary, and was intended to help strengthen district financial protocols, policy and practice. This area was addressed during the subsequent year through implementing the steps outlined below. The following text outlines the corrective actions steps and/or commentary associated with the auditor recommendation from the previous year.

*We recommend that the district conduct a review of its accounting software's access privileges. The District should assign as system administrator someone with no accounting responsibilities. In addition, the administrator should promptly remove access privileges for any employee whose accounting duties are terminated.*

The District acknowledged and accepted the auditor's recommendation. All user privileges were reviewed and updated. At no time were any unauthorized or erroneous entries made, following segregation of duty and oversight protocols.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District's ability to raise needed revenue locally is impacted by the New York State Tax Cap. This, along with uncertainty about the level of future state aid payments remain significant factors bearing on the District's future.

The District's ability to raise needed revenue is hampered by the tax cap regulation and our future state aid projections show a potential decrease on the horizon due largely to changes in the state aid formula, increases to our district's wealth ratio and declining school census. WAJ continues to deploy several strategies to deal with rising costs and lower revenue, such as negotiating changes in contracts, sharing services with partners, utilizing instructional technology, and reducing staffing positions and purchasing when possible.

WAJ continues to address declining enrollment by restructuring how instruction is offered. In the elementary school, grade level consolidation, using middle and high school teaching staff to address course requirements, and infusing the use of technology have helped increase performance expectations while keeping costs lower. Adding and maintaining college-level coursework and developing pre-Kindergarten opportunities will enhance the district's profile and could assist with mitigating regional enrollment trends.

While District state assessment performance remains competitive with our region and the state, a significant increase in the number of examination refusals, also known as "opt outs", will negatively impact statistical representation of student performance reported by the NYSED in future years.

In the coming years, the District will need to invest in capital improvements identified within the mandated building condition survey submitted to the NYSED, especially to the areas of the building that were not included in the 2005 capital project.

## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent of Schools, Windham-Ashland-Jewett Central School District, Main Street, PO Box 429, Windham, NY 12496.

**Windham-Ashland-Jewett Central School District**  
**Statement of Net Position**  
**Governmental Activities**  
**June 30, 2017**

**ASSETS**

|   |                      |
|---|----------------------|
| Cash - unrestricted   | \$ 1,253,136         |
| Cash - restricted   | 1,931,076            |
| Accounts receivable   | 195                  |
| Due from fiduciary funds  | -                    |
| State and federal aid receivable                                | 66,248               |
| Due from other governments                                      | 91,726               |
| Inventories   | 4,064                |
| Land, buildings and equipment (net of accumulated depreciation) | 18,856,400           |
| Net pension asset - proportionate share                         | -                    |
| Total Assets  | <u>\$ 22,202,845</u> |

**DEFERRED OUTFLOW OF RESOURCES**

|                                     |                     |
|-------------------------------------|---------------------|
| Pensions                            | \$ 2,907,347        |
| Deferred Charge - Bond Defeasance   | 678,333             |
| Total Deferred Outflow of Resources | <u>\$ 3,585,680</u> |

**LIABILITIES**

|   |                      |
|---|----------------------|
| Accounts payable                            | \$ 49,132            |
| Accrued liabilities                         | 48,716               |
| Accrued interest, Bonds Payable             | 26,816               |
| Due to other governments                    | 250                  |
| Due to teachers' retirement system          | 469,359              |
| Due to employees' retirement system         | 34,285               |
| Overpayments                                | 188                  |
| Long-term liabilities                       |                      |
| Due and payable within one year:            |                      |
| Bonds payable                               | 620,000              |
| Due and payable beyond one year:            |                      |
| Bonds payable                               | 13,925,000           |
| Compensated absences payable                | 148,746              |
| Other post employment benefits              | 9,196,692            |
| Net pension liability - proportionate share | 607,876              |
| Total Liabilities                           | <u>\$ 25,127,060</u> |

**DEFERRED INFLOW OF RESOURCES**

|                                     |                   |
|-------------------------------------|-------------------|
| Pensions                            | \$ 155,340        |
| Total Deferred Outflow of Resources | <u>\$ 155,340</u> |

**NET POSITION**

|   |                          |
|---|--------------------------|
| Investment in capital assets, net of related debt | \$ 4,311,400             |
| Restricted for:                                   |                          |
| Debt service                                      | 830,202                  |
| Capital reserve                                   | 153,692                  |
| Other legal restrictions                          | 947,182                  |
| Unrestricted (deficit)                            | <u>(5,736,351)</u>       |
| Total Net Position                                | <u><u>\$ 506,125</u></u> |

See accompanying notes to financial statements

**Windham-Ashland-Jewett Central School District**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2017**

| FUNCTIONS/PROGRAMS                                | For the Year Ended June 30, 2017 |                                    |                                   |                     |   | Net (Expense) |
|---|----------------------------------|------------------------------------|-----------------------------------|---------------------|---|---------------|
|   | Expenses                         | Indirect<br>Expenses<br>Allocation | Program Revenues                  |                     | Revenue and<br>Changes in<br>Net Position |               |
|   |                                  |                                    | Charges for<br>Services and Sales | Operating<br>Grants |   |               |
| <i>Governmental Activities</i>                    |                                  |                                    |                                   |                     |   |               |
| <b>Instruction</b>                                |                                  |                                    |                                   |                     |   |               |
| Teaching - regular school                         | \$ 3,157,925                     | \$ 2,103,302                       | \$ (28,864)                       | \$ (92,207)         | \$ 5,140,156                              |               |
| Programs for children with handicapping condition | 636,530                          | -                                  | -                                 | (124,399)           | 512,131                                   |               |
| Programs for learning disabled children           | 218,729                          | 162,889                            | -                                 | -                   | 381,618                                   |               |
| Occupational education                            | 157,748                          | -                                  | -                                 | -                   | 157,748                                   |               |
| <b>Total Instruction</b>                          | <b>\$ 4,170,932</b>              | <b>\$ 2,266,191</b>                | <b>\$ (28,864)</b>                | <b>\$ (216,606)</b> | <b>\$ 6,191,653</b>                       |               |
| <b>Support Services</b>                           |                                  |                                    |                                   |                     |   |               |
| Instructional administration                      | \$ 291,472                       | \$ 199,942                         | \$ -                              | \$ -                | \$ 491,414                                |               |
| Instructional media                               |                                  |                                    | -                                 | -                   | -   |               |
| Library and audiovisual                           | 141,345                          | 77,537                             | -                                 | -                   | 218,882                                   |               |
| Computer assisted instruction                     | 333,561                          | 116,352                            | -                                 | (135,053)           | 314,860                                   |               |
| Pupil services                                    | 571,720                          | 353,127                            | -                                 | -                   | 924,847                                   |               |
| General Support                                   |                                  |                                    |                                   |                     |   |               |
| Board of education                                | 12,474                           | 2,508                              | -                                 | -                   | 14,982                                    |               |
| Central administration                            | 226,899                          | 164,893                            | -                                 | -                   | 391,792                                   |               |
| Finance   | 252,706                          | 96,467                             | -                                 | -                   | 349,173                                   |               |
| Staff   | 30,400                           | -                                  | -                                 | -                   | 30,400                                    |               |
| Central services                                  |                                  |                                    |                                   |                     | -   |               |
| Operations  | 377,649                          | 161,643                            | -                                 | -                   | 539,292                                   |               |
| Maintenance                                       | 72,344                           | -                                  | -                                 | -                   | 72,344                                    |               |
| Central data processing                           | 42,699                           | -                                  | -                                 | -                   | 42,699                                    |               |
| Special items                                     |                                  |                                    |                                   |                     | -   |               |
| BOCES administrative costs                        | 118,316                          | -                                  | -                                 | -                   | 118,316                                   |               |
| Insurance and other                               | 150,901                          | -                                  | -                                 | -                   | 150,901                                   |               |
| Pupil transportation                              | 515,261                          | 271,913                            | -                                 | -                   | 787,174                                   |               |
| Community services                                |                                  | -                                  | -                                 | -                   | -   |               |
| Interest expense                                  | 553,105                          | -                                  | -                                 | -                   | 553,105                                   |               |
| Food services                                     | 113,479                          | -                                  | (32,309)                          | (77,633)            | 3,537                                     |               |
| Amortization of defeasance Loss                   | 36,667                           | -                                  | -                                 | -                   | 36,667                                    |               |
| Depreciation - unallocated                        | 818,222                          | -                                  | -                                 | -                   | 818,222                                   |               |
| <b>Total Support Services</b>                     | <b>\$ 4,659,220</b>              | <b>\$ 1,444,382</b>                | <b>\$ (32,309)</b>                | <b>\$ (212,686)</b> | <b>\$ 5,858,607</b>                       |               |
| <i>Total Governmental Activities</i>              | <b>\$ 8,830,152</b>              | <b>\$ 3,710,573</b>                | <b>\$ (61,173)</b>                | <b>\$ (429,292)</b> | <b>\$ 12,050,260</b>                      |               |

**GENERAL REVENUES**

|  |                          |
|--|--------------------------|
| Real property taxes and other tax items    | \$ 9,681,189             |
| State Aid, not restricted                  | 1,485,879                |
| Federal aid, not restricted                | -                        |
| Use of money and property                  | 9,247                    |
| Medicaid reimbursement                     | 3,661                    |
| Sale of property and compensation for loss | 10,955                   |
| Miscellaneous                              | 204,738                  |
| <b>Total General Revenues</b>              | <b>\$ 11,395,669</b>     |
| Change in Net Position                     | \$ (654,591)             |
| Total Net Position - Beginning of year     | 1,160,716                |
| Total Net Position - End of year           | <u><u>\$ 506,125</u></u> |

**Windham-Ashland-Jewett Central School District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2017**

|                                     | Major Fund          | Non-Major Funds  |                  |                |                   | Total               |
|-------------------------------------|---------------------|------------------|------------------|----------------|-------------------|---------------------|
|                                     | General Fund        | Special Aid Fund | School Lunch     | Capital Fund   | Debt Service Fund | Governmental Funds  |
| <b>ASSETS</b>                       |                     |                  |                  |                |                   |                     |
| Cash                                |                     |                  |                  |                |                   |                     |
| Unrestricted                        | \$ 1,219,404        | \$ 9,718         | \$ 24,014        | \$ -           | \$ -              | \$ 1,253,136        |
| Restricted                          | 1,100,874           | -                | -                | -              | 830,202           | 1,931,076           |
| Receivables                         |                     |                  |                  |                |                   |                     |
| Accounts receivable                 | -                   | -                | 195              | -              | -                 | 195                 |
| Due from other funds                | 47,512              | 6,647            | -                | -              | -                 | 54,159              |
| Due from Agency Fund                | -                   | -                | -                | -              | -                 | -                   |
| State and Federal aid               | 35,151              | 31,097           | -                | -              | -                 | 66,248              |
| Due from other Governments          | 91,726              | -                | -                | -              | -                 | 91,726              |
| Inventories                         | -                   | -                | 4,064            | -              | -                 | 4,064               |
| Total Assets                        | <u>\$ 2,494,667</u> | <u>\$ 47,462</u> | <u>\$ 28,273</u> | <u>\$ -</u>    | <u>\$ 830,202</u> | <u>\$ 3,400,604</u> |
| <b>LIABILITIES</b>                  |                     |                  |                  |                |                   |                     |
| Payables                            |                     |                  |                  |                |                   |                     |
| Accounts payable                    | \$ 49,132           | \$ -             | \$ -             | \$ -           | \$ -              | \$ 49,132           |
| Accrued liabilities                 | 48,158              | -                | 558              | -              | -                 | 48,716              |
| Due to other funds                  | 6,647               | 47,462           | -                | 50             | -                 | 54,159              |
| Due to other governments            | -                   | -                | 250              | -              | -                 | 250                 |
| Due to Teachers' Retirement System  | 469,359             | -                | -                | -              | -                 | 469,359             |
| Due to Employees' Retirement System | 34,285              | -                | -                | -              | -                 | 34,285              |
| Bond Anticipation Note Payable      | -                   | -                | -                | -              | -                 | -                   |
| Overpayments                        | 188                 | -                | -                | -              | -                 | 188                 |
| Total Liabilities                   | <u>\$ 607,769</u>   | <u>\$ 47,462</u> | <u>\$ 808</u>    | <u>\$ 50</u>   | <u>\$ -</u>       | <u>\$ 656,089</u>   |
| <b>FUND BALANCES</b>                |                     |                  |                  |                |                   |                     |
| Non-spendable                       | \$ -                | \$ -             | \$ 4,064         | \$ -           | \$ -              | \$ 4,064            |
| Restricted                          | 1,100,874           | -                | -                | -              | 830,202           | 1,931,076           |
| Committed                           | -                   | -                | -                | -              | -                 | -                   |
| Assigned                            | 310,132             | -                | -                | -              | -                 | 310,132             |
| Unassigned                          | 475,892             | -                | 23,401           | (50)           | -                 | 499,243             |
| Total Fund Balances                 | <u>\$ 1,886,898</u> | <u>\$ -</u>      | <u>\$ 27,465</u> | <u>\$ (50)</u> | <u>\$ 830,202</u> | <u>\$ 2,744,515</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,494,667</u> | <u>\$ 47,462</u> | <u>\$ 28,273</u> | <u>\$ -</u>    | <u>\$ 830,202</u> | <u>\$ 3,400,604</u> |

See accompanying notes to financial statements

**Windham-Ashland-Jewett Central School District  
Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2017**

Amounts reported for governmental activities in the Statement of Net Position are different because:

|   |                   |
|---|-------------------|
| Total Governmental Funds Balance  | \$ 2,744,515      |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This amount is the total historical cost of Capital Assets, reduced by the amount of depreciation recorded to date | 18,856,400        |
| District's share of the Net Pension Asset, New York State Teachers Retirement System, not reported as an asset in the Governmental Funds Balance Sheet  | -                 |
| Deferred outflows of resources related to pension liabilities   | 2,907,347         |
| Deferred outflows of resources related to bond defeasance loss  | 678,333           |
| Long-term liabilities that are not due and payable in the current period, and therefore not reported in the Governmental Funds Balance Sheet:   |                   |
| Accrued interest, bonds payable   | (26,816)          |
| Compensated absences  | (148,746)         |
| Other postemployment benefits   | (9,196,692)       |
| Bonds payable   | (14,545,000)      |
| District's share of the Net Pension Liability, New York State Employees Retirement System   | (607,876)         |
| Deferred inflows of resources related to pension assets   | <u>(155,340)</u>  |
| Total Net Position, June 30, 2017   | <u>\$ 506,125</u> |

**Windham-Ashland-Jewett Central School District**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2017**

|   | Total<br>Governmental<br>Funds | Capital<br>Assets    | Long-term<br>Assets,<br>Liabilities | Reclassifications<br>and<br>Eliminations | Statement of<br>Net Assets<br>Totals |
|---|--------------------------------|----------------------|-------------------------------------|--|--------------------------------------|
| <b>ASSETS</b>                                   |                                |                      |                                     |  |                                      |
| Cash unrestricted                               | \$ 1,253,136                   | \$ -                 | \$ -                                | \$ -                                     | \$ 1,253,136                         |
| Cash - restricted                               | 1,931,076                      | \$ -                 | \$ -                                | \$ -                                     | 1,931,076                            |
| Accounts receivable                             | 195                            | -                    | -                                   | -  | 195                                  |
| Due from other funds                            | 54,159                         | -                    | -                                   | (54,159)                                 | -                                    |
| Due from fiduciary funds                        | -                              | -                    | -                                   | -  | -                                    |
| State and federal aid receivable                | 66,248                         | -                    | -                                   | -  | 66,248                               |
| Due from other governments                      | 91,726                         | -                    | -                                   | -  | 91,726                               |
| Inventories                                     | 4,064                          | -                    | -                                   | -  | 4,064                                |
| Land, buildings and equipment (net)             | -                              | 18,856,400           | -                                   | -  | 18,856,400                           |
| Net Pension Asset - proportionate share         | -                              | -                    | -                                   | -  | -                                    |
| Deferred Outflows of Resources, Pensions        | -                              | -                    | 2,907,347                           | -  | 2,907,347                            |
| Deferred Outflows of Resources, Defeasance Loss | -                              | -                    | 678,333                             | -  | 678,333                              |
| Total Assets                                    | <u>\$ 3,400,604</u>            | <u>\$ 18,856,400</u> | <u>\$ 3,585,680</u>                 | <u>\$ (54,159)</u>                       | <u>\$ 25,788,525</u>                 |
| <b>LIABILITIES</b>                              |                                |                      |                                     |  |                                      |
| Accounts payable                                | \$ 49,132                      | \$ -                 | \$ -                                | \$ -                                     | \$ 49,132                            |
| Accrued liabilities                             | 48,716                         | -                    | -                                   | -  | 48,716                               |
| Accrued interest, Bonds Payable                 | -                              | -                    | 26,816                              | -  | 26,816                               |
| Due to other funds                              | 54,159                         | -                    | -                                   | (54,159)                                 | -                                    |
| Due to other governments                        | 250                            | -                    | -                                   | -  | 250                                  |
| Due to teachers' retirement system              | 469,359                        | -                    | -                                   | -  | 469,359                              |
| Due to Employees' Retirement System             | 34,285                         | -                    | -                                   | -  | 34,285                               |
| Overpayments                                    | 188                            | -                    | -                                   | -  | 188                                  |
| Bond Anticipation Note                          | -                              | -                    | -                                   | -  | -                                    |
| Compensated absences                            | -                              | -                    | 148,746                             | -  | 148,746                              |
| Other post employment benefits                  | -                              | -                    | 9,196,692                           | -  | 9,196,692                            |
| Bonds Payable                                   | -                              | -                    | 14,545,000                          | -  | 14,545,000                           |
| Net Pension Liability - proportionate share     | -                              | -                    | 607,876                             | -  | 607,876                              |
| Deferred Intflows of Resources, Pensions        | -                              | -                    | 155,340                             | -  | 155,340                              |
| Total Liabilities                               | <u>\$ 656,089</u>              | <u>\$ -</u>          | <u>\$ 24,680,470</u>                | <u>\$ (54,159)</u>                       | <u>\$ 25,282,400</u>                 |
| <b>FUND BALANCE/NET POSITION</b>                |                                |                      |                                     |  |                                      |
| Total Fund Balance/Net Position                 | <u>\$ 2,744,515</u>            | <u>\$ 18,856,400</u> | <u>\$ (21,094,790)</u>              | <u>\$ -</u>                              | <u>\$ 506,125</u>                    |
| Total Liabilities, Fund Balance/Net Position    | <u>\$ 3,400,604</u>            | <u>\$ 18,856,400</u> | <u>\$ 3,585,680</u>                 | <u>\$ (54,159)</u>                       | <u>\$ 25,788,525</u>                 |

See accompanying notes to financial statements.



**Windham-Ashland-Jewett Central School District**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Governmental Funds**  
**For the Year Ended June 30, 2017**

|   | Major Fund           | Non-Major Funds   |                   |                   |                   | Total                |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
|   | General Fund         | Special Aid       | School Lunch      | Capital Fund      | Debt Service Fund | Governmental Funds   |
| <b>REVENUES</b>                                   |                      |                   |                   |                   |                   |                      |
| Real property taxes and other tax items           | \$ 9,681,189         | \$ -              | \$ -              | \$ -              | \$ -              | \$ 9,681,189         |
| Charges for services                              | 28,864               | -                 | -                 | -                 | -                 | 28,864               |
| Use of money and property                         | 7,588                | -                 | -                 | -                 | 1,659             | 9,247                |
| Sale of property and compensation for loss        | 10,955               | -                 | -                 | -                 | -                 | 10,955               |
| Miscellaneous                                     | 204,738              | -                 | -                 | -                 | -                 | 204,738              |
| State sources                                     | 1,485,879            | 28,247            | 2,570             | 135,053           | -                 | 1,651,749            |
| Federal sources                                   | 3,661                | 188,359           | 65,900            | -                 | -                 | 257,920              |
| Surplus food                                      | -                    | -                 | 9,163             | -                 | -                 | 9,163                |
| Sales - school lunch                              | -                    | -                 | 32,309            | -                 | -                 | 32,309               |
| Serial Bond                                       | -                    | -                 | -                 | -                 | -                 | -                    |
| <b>Total Revenues</b>                             | <b>\$ 11,422,874</b> | <b>\$ 216,606</b> | <b>\$ 109,942</b> | <b>\$ 135,053</b> | <b>\$ 1,659</b>   | <b>\$ 11,886,134</b> |
| <b>EXPENDITURES</b>                               |                      |                   |                   |                   |                   |                      |
| General support                                   | \$ 1,303,812         | \$ -              | \$ -              | \$ 135,103        | \$ -              | \$ 1,438,915         |
| Instruction                                       | 5,211,180            | 218,736           | -                 | -                 | -                 | 5,429,916            |
| Pupil transportation                              | 603,883              | -                 | -                 | -                 | -                 | 603,883              |
| Community service                                 | -                    | -                 | -                 | -                 | -                 | -                    |
| Employee benefits                                 | 3,171,655            | -                 | -                 | -                 | -                 | 3,171,655            |
| Debt service                                      | 1,144,415            | -                 | -                 | -                 | -                 | 1,144,415            |
| School lunch expenditures                         | -                    | -                 | 113,479           | -                 | -                 | 113,479              |
| Construction in progress                          | -                    | -                 | -                 | -                 | -                 | -                    |
| <b>Total Expenditures</b>                         | <b>\$ 11,434,945</b> | <b>\$ 218,736</b> | <b>\$ 113,479</b> | <b>\$ 135,103</b> | <b>\$ -</b>       | <b>\$ 11,902,263</b> |
| Excess (Deficiency) of Revenues over Expenditures | (12,071)             | (2,130)           | (3,537)           | (50)              | 1,659             | (16,129)             |
| <b>OTHER FINANCING SOURCES AND USES</b>           |                      |                   |                   |                   |                   |                      |
| Operating transfers in                            | \$ -                 | \$ 2,130          | \$ 2,573          | \$ -              | \$ -              | \$ 4,703             |
| Operating transfers (out)                         | (4,703)              | -                 | -                 | -                 | -                 | (4,703)              |
| <b>Total Other Sources (Uses)</b>                 | <b>\$ (4,703)</b>    | <b>\$ 2,130</b>   | <b>\$ 2,573</b>   | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>          |
| <b>Total Excess (Deficiency) for the year</b>     | <b>\$ (16,774)</b>   | <b>\$ -</b>       | <b>\$ (964)</b>   | <b>\$ (50)</b>    | <b>\$ 1,659</b>   | <b>\$ (16,129)</b>   |
| Fund Balances - Beginning of year                 | 1,903,672            | -                 | 28,429            | -                 | 828,543           | 2,760,644            |
| Prior Period Adjustment                           | -                    | -                 | -                 | -                 | -                 | -                    |
| <b>Fund Balances - End of year</b>                | <b>\$ 1,886,898</b>  | <b>\$ -</b>       | <b>\$ 27,465</b>  | <b>\$ (50)</b>    | <b>\$ 830,202</b> | <b>\$ 2,744,515</b>  |

See accompanying notes to financial statements.

**Windham-Ashland-Jewett Central School District**  
**Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in**  
**Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2017**

Amounts reported for governmental activities in the Statement of Activities are different because:

|  |                     |
|--|---------------------|
| Net change in fund balances - Total Government Funds   | \$ (16,129)         |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. |                     |
| Capital assets purchased in the current period   | 164,035             |
| Depreciation expense reported on the Statement of Activities   | (818,222)           |
| Increase in proportionate share of Net Pension Asset and related change in Deferred Inflow/Outflows, New York State Employees Retirement System  | (96,998)            |
| Increase in proportionate share of Net Pension Asset and related change in Deferred Inflow/Outflows, New York State Teachers Retirement System   | (81,141)            |
| Decrease in liability for Compensated Absences reported on the Statement of Activities   | 35,681              |
| Increase in liability for Other Post Employment Benefits reported on the Statement of Activities   | (396,460)           |
| Repayment of Bond debt principal is an expenditure in the Governmental Funds, but the re-payment reduces long-term liabilities in the Statement of Position  | 591,310             |
| Amortization of bond defeasance loss reported on the Statement of Activities   | <u>(36,667)</u>     |
| Change in Net Position, Year Ended June 30, 2017   | <u>\$ (654,591)</u> |

**Windham-Ashland-Jewett Central School District**  
**Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in**  
**Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2017**

|  | Total<br>Governmental<br>Funds | Capital Asset Transactions<br>Assets<br>Purchased | Depreciation<br>Expense | Long-term<br>Revenue and Expense<br>Transactions | Long-term<br>Debt<br>Transactions | Program<br>Revenues | Statement of<br>Activities<br>Totals |
|--|--------------------------------|---|-------------------------|--|-----------------------------------|---------------------|--------------------------------------|
| <b>REVENUES</b>                                      |                                |   |                         |  |                                   |                     |                                      |
| Real property taxes and other tax items              | \$ 9,681,189                   |   |                         |  |                                   |                     | \$ 9,681,189                         |
| Charges for services                                 | 28,864                         |   |                         |  |                                   | (28,864)            | -                                    |
| Use of money and property                            | 9,247                          |   |                         |  |                                   |                     | 9,247                                |
| Sale of property and compensation for loss           | 10,955                         |   |                         |  |                                   |                     | 10,955                               |
| Miscellaneous  | 204,738                        |   |                         |  |                                   |                     | 204,738                              |
| State sources  | 1,651,749                      |   |                         |  |                                   | (165,870)           | 1,485,879                            |
| Federal sources                                      | 257,920                        |   |                         |  |                                   | (254,259)           | 3,661                                |
| Surplus food   | 9,163                          |   |                         |  |                                   | (9,163)             | -                                    |
| Sales - school lunch                                 | 32,309                         |   |                         |  |                                   | (32,309)            | -                                    |
| Serial Bond  | -                              |   |                         |  | -                                 | -                   | -                                    |
| <b>Total Revenues</b>                                | <b>11,886,134</b>              | <b>-</b>  | <b>-</b>                | <b>-</b>   | <b>-</b>                          | <b>(490,465)</b>    | <b>11,395,669</b>                    |
| <b>EXPENDITURES/EXPENSES</b>                         |                                |   |                         |  |                                   |                     |                                      |
| General support                                      | 1,438,915                      | (51,854)  |                         |  |                                   | (135,053)           | 1,252,008                            |
| Instruction  | 5,429,916                      | (23,559)  |                         |  |                                   | (245,470)           | 5,160,887                            |
| Pupil transportation                                 | 603,883                        | (88,622)  |                         |  |                                   |                     | 515,261                              |
| Community service                                    | -                              |   |                         |  |                                   |                     | -                                    |
| Debt Service   | 1,144,415                      |   |                         |  | (591,310)                         |                     | 553,105                              |
| Amortization of Defeasance loss                      |                                |   |                         |  | 36,667                            |                     | 36,667                               |
| School lunch expenditures                            | 113,479                        |   |                         |  |                                   | (109,942)           | 3,537                                |
| Capital assets purchased in Capital Fund             | -                              | -   |                         |  |                                   |                     | -                                    |
| Depreciation   | -                              |   | 818,222                 |  |                                   |                     | 818,222                              |
| Expenses to be allocated:                            |                                |   |                         |  |                                   |                     |                                      |
| Employee benefits - Pension Only                     | 577,667                        |   |                         | 178,139  |                                   |                     | 755,806                              |
| Employee benefits - Other                            | 2,593,988                      |   |                         |  |                                   |                     | 2,593,988                            |
| Compensated absences                                 | -                              |   |                         | (35,681)   |                                   |                     | (35,681)                             |
| Other post employment benefits                       | -                              |   |                         | 396,460  |                                   |                     | 396,460                              |
| <b>Total Expenditures</b>                            | <b>11,902,263</b>              | <b>(164,035)</b>                                  | <b>818,222</b>          | <b>538,918</b>                                   | <b>(554,643)</b>                  | <b>(490,465)</b>    | <b>12,050,260</b>                    |
| Excess (Deficiency)<br>of Revenues Over Expenditures | <b>(16,129)</b>                | <b>164,035</b>                                    | <b>(818,222)</b>        | <b>(538,918)</b>                                 | <b>554,643</b>                    | <b>-</b>            | <b>(654,591)</b>                     |
| <b>OTHER SOURCES AND USES</b>                        |                                |   |                         |  |                                   |                     |                                      |
| Operating transfers in                               | 4,703                          |   |                         |  |                                   |                     | 4,703                                |
| Operating transfers (out)                            | (4,703)                        |   |                         | -  | -                                 |                     | (4,703)                              |
| <b>Total Other Sources (Uses)</b>                    | <b>-</b>                       | <b>-</b>  | <b>-</b>                | <b>-</b>   | <b>-</b>                          | <b>-</b>            | <b>-</b>                             |
| Prior - Period Adjustment                            | -                              | -   | -                       | -  | -                                 | -                   | -                                    |
| <b>Net Change for the Year</b>                       | <b>\$ (16,129)</b>             | <b>\$ 164,035</b>                                 | <b>\$ (818,222)</b>     | <b>\$ (538,918)</b>                              | <b>\$ 554,643</b>                 | <b>\$ -</b>         | <b>\$ (654,591)</b>                  |

See accompanying notes to financial statements.

**Windham-Ashland-Jewett Central School District**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

|                                  | Miscellaneous<br>Special<br>Revenue | Private<br>Purpose<br>Trusts | Agency           | Total<br>(Memo)   |
|----------------------------------|-------------------------------------|------------------------------|------------------|-------------------|
| <b>ASSETS</b>                    |                                     |                              |                  |                   |
| Cash                             | \$ 152,339                          | \$ 53,775                    | \$ 36,313        | \$ 242,427        |
| Due from governmental funds      | -                                   | -                            | -                | -                 |
| Other receivables                | -                                   | -                            | -                | -                 |
| Total Assets                     | <u>\$ 152,339</u>                   | <u>\$ 53,775</u>             | <u>\$ 36,313</u> | <u>\$ 242,427</u> |
| <b>LIABILITIES</b>               |                                     |                              |                  |                   |
| Due to governmental funds        | \$ -                                | \$ -                         | \$ -             | \$ -              |
| Extraclassroom activity balances | -                                   | -                            | 35,785           | 35,785            |
| Other liabilities                | -                                   | -                            | 528              | 528               |
| Total Liabilities                | \$ -                                | \$ -                         | \$ 36,313        | \$ 36,313         |
| <b>NET ASSETS</b>                |                                     |                              |                  |                   |
| Restricted                       | <u>152,339</u>                      | <u>53,775</u>                | <u>-</u>         | <u>206,114</u>    |
| Total Liabilities and Net Assets | <u>\$ 152,339</u>                   | <u>\$ 53,775</u>             | <u>\$ 36,313</u> | <u>\$ 242,427</u> |

**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2017**

|                                   | Miscellaneous<br>Special<br>Revenue | Private<br>Purpose<br>Trusts |
|-----------------------------------|-------------------------------------|------------------------------|
| <b>ADDITIONS</b>                  |                                     |                              |
| Gifts and contributions           | \$ -                                | \$ -                         |
| Investment earnings               | <u>332</u>                          | <u>116</u>                   |
| Total Additions                   | \$ 332                              | \$ 116                       |
| <b>DEDUCTIONS</b>                 |                                     |                              |
| Scholarships and awards           | \$ -                                | \$ 4,675                     |
| Donation recorded in General Fund | <u>21,141</u>                       | <u>-</u>                     |
| Total Deductions                  | \$ 21,141                           | \$ 4,675                     |
| Change in Net Assets              | \$ (20,809)                         | \$ (4,559)                   |
| Net Assets - Beginning of year    | <u>173,148</u>                      | <u>58,334</u>                |
| Net Assets - End of Year          | <u>\$ 152,339</u>                   | <u>\$ 53,775</u>             |

See accompanying notes to financial statements

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

**Note 1 – Summary of certain significant accounting policies:**

The financial statements of the Windham-Ashland-Jewett Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

A) Reporting entity:

The Windham-Ashland-Jewett Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 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. 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.

Extraclassroom Activity Funds

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

B) Joint venture:

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

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 \$884,777 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$161,182.

Financial Statements for the BOCES are available from the BOCES administrative offices.

C) Basis of presentation:

i) District-wide statements:

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

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund financial statements:

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

The District reports the following major 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, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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.

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 extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

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

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

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

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

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 11, 2016. Taxes are collected during the period September 1 to November 2, 2016.

Uncollected real property taxes are subsequently enforced by the County in which the District is located. 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.

F) Restricted resources:

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

G) Interfund transactions:

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

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

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

Refer to Note 12 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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



I) Cash (and cash equivalents)/Investments

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

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

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

Investments are stated at fair value.

J) Accounts receivable:

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

K) Inventories and prepaid items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end.

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

L) Other assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

M) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1985. For assets acquired prior to June 30, 1985, estimated historical costs, based on bonding data were used. Donated assets are reported at estimated fair market value at the time received.

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

| Capitalization          | Depreciation<br>Threshold | Estimated<br>Method | Useful Life |
|-------------------------|---------------------------|---------------------|-------------|
| Buildings               | \$ 10,000                 | Straight-line       | 40 years    |
| Building improvements   | \$ 10,000                 | Straight-line       | 40 years    |
| Site improvements       | \$ 10,000                 | Straight-line       | 40 years    |
| Furniture and equipment | \$ 1,000                  | Straight-line       | 7 years     |
| Vehicles                | \$ 1,000                  | Straight-line       | 5-7 years   |
| Computers               | \$ 1,000                  | Straight-line       | 5-7 years   |

#### N) Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

#### O) 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.

P) Vested employee benefits:

Compensated absences

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

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

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

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

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

Q) Other benefits:

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

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

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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure.

R) 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 be converted to long-term financing within five years after the original issue date.

S) Accrued liabilities and long-term obligations:

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

T) 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, constructions 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 net position that do 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 of accounting there are five classifications of fund balance:

**Non-spendable** Fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory in the School Lunch Fund.

**Restricted** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws and 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 District has established the following restricted fund balances:

Capital

According to Education Law §3651, a Capital Reserve 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.

#### Repairs

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

#### Unemployment Insurance

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

#### Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the unexpended Bond proceeds and interest earned thereon. The reserve is accounted for in the Debt Service Fund.

#### Insurance

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

#### Tax Certiorari

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall

not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General fund.

#### Employee Benefit Accrued Liability

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

#### Encumbrances

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

**Restricted fund balance** includes the following:

|                                    |                    |
|------------------------------------|--------------------|
| General Fund                       |                    |
| Capital                            | \$ 153,692         |
| Repairs                            | 126,386            |
| Unemployment                       | 182,661            |
| Liability                          | 251,967            |
| Employee Benefit Accrued Liability | <u>386,167</u>     |
| Total General Fund                 | \$1,100,874        |
| Debt Service Fund                  |                    |
| Debt Service                       | <u>830,202</u>     |
| Total Restricted Funds             | <u>\$1,931,076</u> |

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

**Assigned** – 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 \$60,132 as of June 30, 2016. In addition, the amount of General Fund fund balance designated to reduce the following year's tax levy is considered Assigned Fund Balance. This amount was \$250,000 as of June 30, 2017. Total Assigned Fund Balance as of June 30, 2017, therefore, was \$310,132.

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

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.

U) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017, including GASB Statement No. 77, Tax Abatement Disclosures (see Note 16).

V) 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. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

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

**Note 2 – Explanation of certain differences between governmental fund statements and District-wide statements:**

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

A) Total fund balances of governmental funds vs. net assets of governmental activities:

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

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

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

i) Long-term revenue differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

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

**Note 3 – Changes in accounting principles:**

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77, Tax Abatement Disclosures. These disclosures are discussed in Note 16.

**Note 4 – Stewardship and compliance:**

Budgets

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

The voters of the District approved the proposed appropriation budget for the General Fund of \$11,731,428.

Appropriations are adopted at the program line item level.



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

|   |               |
|---|---------------|
| Donations received from the public                              | \$ 73,241     |
| Appropriation of Reserve for Employee Benefit Accrued Liability | 12,778        |
| Appropriation of Reserve for Liability and Casualty Insurance   | <u>50,000</u> |
|   | \$136,019     |

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.

#### 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.

The District's unreserved undesignated fund balance was in compliance the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

#### **Note 5 – Cash -custodial credit, concentration of credit, interest rate and foreign currency risks:**

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

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

|  |             |
|--|-------------|
| Uncollateralized   | \$ 0        |
| Collateralized by securities held by the financial institution | \$2,340,446 |

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 \$1,931,076 within the governmental funds and \$242,427 in the fiduciary funds.

**Note 6 – Investments:**

The District held no Investments as of June 30.

**Note 7 – Receivables:**

Receivables at year-end for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

| Description                          | Governmental Activities |                |                 |         | Total      |
|--------------------------------------|-------------------------|----------------|-----------------|---------|------------|
|                                      | General                 | Special<br>Aid | School<br>Lunch | Capital |            |
| Accounts receivable                  | \$ -                    | \$ -           | \$ 195          | \$ -    | 195        |
| Due from State and Federal           | 35,151                  | 31,097         | -               | -       | 66,248     |
| Due from other governments           | 91,726                  | -              | -               | -       | 91,726     |
| Other                                | -                       | -              | -               | -       | -          |
| Allowance for uncollectible accounts | -                       | -              | -               | -       | -          |
| Total                                | \$ 126,877              | \$ 31,097      | \$ 195          | \$ -    | \$ 158,169 |

District management has deemed all amounts to be fully collectible.

**Note 8 – Capital assets:** Capital asset balances and activity for the year ended June 30, 2017 were as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Retirements/<br/>Reclassifications</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|---|---------------------------|
| Governmental activities:                      |                              |                     |   |                           |
| Capital assets that are not depreciated:      |                              |                     |   |                           |
| Land  | \$ 601,699                   | \$ -                | \$ -                                      | \$ 601,699                |
| Construction in progress                      | -                            | -                   | -   | -                         |
| Total nondepreciable historical cost          | <u>\$ 601,699</u>            | <u>\$ -</u>         | <u>\$ -</u>                               | <u>\$ 601,699</u>         |
| Capital assets that are depreciated:          |                              |                     |   |                           |
| Buildings                                     | \$ 25,132,860                | \$ -                | \$ -                                      | \$ 25,132,860             |
| Furniture, equipment & computers              | <u>4,873,153</u>             | <u>164,035</u>      | <u>-</u>                                  | <u>5,037,188</u>          |
| Total depreciable historical cost             | <u>\$ 30,006,013</u>         | <u>\$ 164,035</u>   | <u>\$ -</u>                               | <u>\$ 30,170,048</u>      |
| Less accumulated depreciation:                |                              |                     |   |                           |
| Buildings                                     | \$ 7,129,231                 | \$ 605,199          | \$ -                                      | \$ 7,734,430              |
| Furniture and equipment                       | <u>3,967,894</u>             | <u>213,023</u>      | <u>-</u>                                  | <u>4,180,917</u>          |
| Total accumulated depreciation                | <u>\$ 11,097,125</u>         | <u>\$ 818,222</u>   | <u>\$ -</u>                               | <u>\$ 11,915,347</u>      |
| Total historical cost,<br>net of depreciation | <u>\$ 19,510,587</u>         | <u>\$ (654,187)</u> | <u>\$ -</u>                               | <u>\$ 18,856,400</u>      |

Depreciation expense was not charged to specific functions.

**Note 9 – Short-term debt:**

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

**Note 10 – Long-term debt:**

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

|                                      | <u>Beginning<br/>Balance</u> | <u>Additions</u>      | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--------------------------------------|------------------------------|-----------------------|-----------------------|---------------------------|--|
| Bonds payable:                       |                              |                       |                       |                           |  |
| General obligation debt:             |                              |                       |                       |                           |  |
| School District (Serial) Bonds, 2007 | \$ 425,000                   | \$ -                  | \$ 425,000            | \$ -                      | \$ -                                       |
| School District (Serial) Bonds, 2008 | 80,000                       | -                     | 80,000                | -                         | -  |
| School District (Serial) Bonds, 2014 | 565,000                      |                       | 35,000                | 530,000                   | 35,000                                     |
| School District (Serial) Bonds, 2015 | <u>14,065,000</u>            | <u>-</u>              | <u>50,000</u>         | <u>14,015,000</u>         | <u>585,000</u>                             |
| <br>Total bonds payable              | <br>\$ 15,135,000            | <br>\$ -              | <br>\$ 590,000        | <br>\$ 14,545,000         | <br>\$ 620,000                             |
| Other liabilities:                   |                              |                       |                       |                           |  |
| Compensated absences                 | 184,427                      | -                     | 35,681                | 148,746                   | -  |
| Other post employment benefits       | <u>8,800,232</u>             | <u>396,460</u>        | <u>-</u>              | <u>9,196,692</u>          | <u>-</u>                                   |
| <br>Total long-term liabilities      | <br><u>\$ 24,119,659</u>     | <br><u>\$ 396,460</u> | <br><u>\$ 625,681</u> | <br><u>\$ 23,890,438</u>  | <br><u>\$ 620,000</u>                      |

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

Existing serial and statutory bond obligations:

| <u>Description</u>                   | <u>Issue<br/>Date</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Balance</u>       |
|--------------------------------------|-----------------------|---------------------------|--------------------------|----------------------|
| School District (Serial) Bonds, 2014 | 3/12/14               | 3/1/29                    | 3.125- 3.875%            | 530,000              |
| School District (Serial) Bonds, 2015 | 4/7/15                | 3/1/2029                  | 3.5%                     | <u>14,015,000</u>    |
|                                      |                       |                           |                          | <u>\$ 14,545,000</u> |

The following is a summary of maturing debt service requirements.

| <u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|-----------------|----------------------|---------------------|----------------------|
| 2018            | 620,000              | 529,896             | 1,149,896            |
| 2019            | 645,000              | 505,402             | 1,150,402            |
| 2020            | 665,000              | 479,908             | 1,144,908            |
| 2021            | 695,000              | 453,658             | 1,148,658            |
| 2022            | 715,000              | 431,658             | 1,146,658            |
| Next 5 Years    | 4,065,000            | 1,680,005           | 5,745,005            |
| Next 5 Years    | 3,865,000            | 899,451             | 4,764,451            |
| Next 5 Years    | 3,275,000            | 282,113             | 3,557,113            |
| Thereafter      | -                    | -                   | -                    |
| Total           | <u>\$ 14,545,000</u> | <u>\$ 5,262,091</u> | <u>\$ 19,807,091</u> |

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

|                                       |                   |
|---------------------------------------|-------------------|
| Interest Paid                         | \$ 554,415        |
| Less interest accrued in prior year   | (28,126)          |
| Plus interest accrued in current year | <u>26,816</u>     |
| Total Interest Expense                | <u>\$ 553,105</u> |

In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, and the trust account assets, are not included in the financial statements.

#### **Note 11 – Pension plans:**

##### General information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple-employer 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.

##### Provisions and administration:

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS . System benefits are established under New York State Law. TRS provides benefits to plan

members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report 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 TRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

ERS 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. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. 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. ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report may be obtained by writing to NYSEERS, Office of the State Comptroller, 110 State Street, Albany, NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

#### Funding policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 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 TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. 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. The District paid 100% of the required contributions as billed by the ERS and TRS for the current year and each of the two preceding years:

|      | <u>CONTRIBUTIONS</u> |            |
|------|----------------------|------------|
|      | <u>ERS</u>           | <u>TRS</u> |
| 2017 | \$ 134,266           | \$ 443,401 |
| 2016 | \$ 172,172           | \$ 487,844 |
| 2015 | \$ 177,820           | \$ 644,296 |

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

The State Legislature authorized local governments to make available retirement incentive programs, of which \$67,728 was charged to expenditures in the Governmental Funds in the current year.

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

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

|  | <u>ERS</u>   | <u>TRS</u>   |
|--|--------------|--------------|
| Actuarial valuation date   | 3/31/17      | 6/30/16      |
| Net pension asset/(liability)  | \$ (352,517) | \$ (255,359) |
| District's portion of the Plan's total net pension asset/(liability) | 0.0037517%   | 0.0238420%   |

For the year ended June 30, 2017, the District's recognized pension expense of \$215,407 for ERS and \$540,399 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:

|   | <u>Deferred Outflows of Resources</u> |              |              |
|---|---------------------------------------|--------------|--------------|
|   | <u>ERS</u>                            | <u>TRS</u>   | <u>Total</u> |
| Differences between expected and actual experience  | \$ 8,834                              | \$ -         | \$ 8,834     |
| Changes of assumptions  | \$ 120,433                            | \$ 1,454,685 | \$ 1,575,118 |
| Net difference between projected and actual earnings on pension plan investments                                    | \$ 70,412                             | \$ 574,180   | \$ 644,592   |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | \$ 148                                | \$ 45,902    | \$ 46,050    |
| District's contributions subsequent to the measurement date   | \$ 144,908                            | \$ 487,845   | \$ 632,753   |
| Total   | \$ 344,735                            | \$ 2,562,612 | \$ 2,907,347 |

|   | <u>Deferred Inflows of Resources</u> |                  |                   |
|---|--------------------------------------|------------------|-------------------|
|   | <u>ERS</u>                           | <u>TRS</u>       | <u>Total</u>      |
| Differences between expected and actual experience  | \$ 53,532                            | \$ 82,955        | \$ 136,487        |
| Changes of assumptions  | \$ -                                 | \$ -             | \$ -              |
| Net difference between projected and actual earnings on pension plan investment                                     | \$ -                                 | \$ -             | \$ -              |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | \$ 18,853                            | \$ -             | \$ 18,853         |
| District's contributions subsequent to the measurement date   | \$ -                                 | \$ -             | \$ -              |
| Total   | <u>\$ 72,385</u>                     | <u>\$ 82,955</u> | <u>\$ 155,340</u> |

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

|             | <u>ERS</u>  | <u>TRS</u> |
|-------------|-------------|------------|
| Year ended: |             |            |
| 2017        | \$ -        | \$ 184,729 |
| 2018        | \$ 60,317   | \$ 184,729 |
| 2019        | \$ 60,317   | \$ 630,653 |
| 2020        | \$ 57,057   | \$ 491,913 |
| 2021        | \$ (50,249) | \$ 229,461 |
| Thereafter  | \$ -        | \$ 270,328 |

#### ACTUARIAL ASSUMPTIONS

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



|                          | <u>ERS</u>  | <u>TRS</u>   |
|--------------------------|---|--|
| Measurement date         | 3/31/17   | 6/30/17  |
| Actuarial valuation date | 4/1/16  | 6/30/16  |
| Interest rate            | 7.0%  | 8%   |
| Salary scale             | 3.8   | 1.9% - 4.72%   |
| Decrement tables         | April 1, 2010 -<br>3/31/15<br>System's Experience | July 1, 2009 -<br>June 30, 2014<br>System's Experience |
| Inflation rate           | 2.5%/1.3%   | 2.5%   |

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

For ERS, the actuarial assumptions used in the April 1, 2015 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.

#### Discount Rate

The discount rate used to calculate the total pension liability was 7 % for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 8.0% 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-percentagepoint lower (6.0% for ERS and 7.0% for TRS ) or 1-percentagepoint higher (8.0% for ERS and 9.0% for TRS) than the current rate :

| ERS  | 1%<br>Decrease<br>(6.0%) | Current<br>Assumption<br>(7.0%) | 1%<br>Increase<br>(8.0%) |
|--|--------------------------|---------------------------------|--------------------------|
| Employer's proportionate share<br>Of the net pension asset (liability) | \$1,125,869              | \$352,517                       | (\$301,351)              |
| TRs  | 1%<br>Decrease<br>(7.0%) | Current<br>Assumption<br>(8.0%) | 1%<br>Increase<br>(9.0%) |
| Employer's proportionate share<br>Of the net pension asset (liability) | \$3,331,732              | \$255,359                       | \$(2,324,943)            |

#### 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:

| Valuation date   | (Dollars in Thousands) |                             |                      |
|--|------------------------|-----------------------------|----------------------|
|  | <u>ERS</u><br>3/31/17  | <u>TRS</u><br>June 30, 2016 | <u>Total</u>         |
| Employers' total pension liability   | \$ 177,400,586         | \$ 108,577,184              | \$ 285,977,770       |
| Fiduciary Net Position   | 168,004,363            | 107,506,142                 | 275,510,505          |
| Employers' net pension liability   | <u>\$ 9,396,223</u>    | <u>\$ 1,071,042</u>         | <u>\$ 10,467,265</u> |
| Ratio of fiduciary net position to the<br>Employers' total pension liability | 94.7%                  | 99.01%                      | 96.3%                |

#### PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 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 34,285. 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 \$469,359.

**Note 12 – Interfund balances and activity:**

|                             | Interfund        |                  | Interfund       |                 |
|-----------------------------|------------------|------------------|-----------------|-----------------|
|                             | Receivable       | Payable          | Revenues        | Expenditures    |
| General Fund                | \$ 47,512        | \$ 6,647         | \$ -            | \$ 4,703        |
| Special Aid Funds           | 6,647            | 47,462           | 2,130           | -               |
| School Lunch Fund           | -                | -                | 2,573           | -               |
| Debt Service Fund           | -                | -                | -               | -               |
| Capital Funds               | -                | 50               | -               | -               |
|                             | <u>-</u>         | <u>50</u>        | <u>-</u>        | <u>-</u>        |
| Total government activities | <u>\$ 54,159</u> | <u>\$ 54,159</u> | <u>\$ 4,703</u> | <u>\$ 4,703</u> |

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

The District typically transfers from the General Fund to the Special Aid Fund, to fund Section 4408 Summer Special Education Costs, and to the School Lunch Fund, to pay a share of current operating expenditures.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The District expects to repay all interfund payables within one year.

**Note 13 – Post-employment (health insurance) benefits:**

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017 the District recognized \$904,809 for its share of insurance premiums for currently enrolled retirees

The District has obtained an actuarial valuation report as of July 1, 2017, which indicates that the total liability for other post employment benefits is \$9,196,692, which is reflected in the Statement of Net Assets.

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 costs 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:

|                                     |                     |
|-------------------------------------|---------------------|
| Normal Cost                         | \$ 536,600          |
| Amortization Cost                   | <u>654,266</u>      |
| Annual Required Contribution (ARC)  | \$ 1,190,866        |
| Interest on OPEB Obligation         | 440,012             |
| Adjustments to ARC                  | <u>(329,609)</u>    |
| Annual OPEB Cost (Expense)          | \$ 1,301,269        |
| Contributions Made                  | <u>(904,809)</u>    |
| Increase in net OPEB Obligation     | \$ 396,460          |
| Net OPEB Obligation - July 1, 2016  | <u>8,800,232</u>    |
| Net OPEB Obligation - June 30, 2017 | <u>\$ 9,196,692</u> |

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

| <u>Fiscal Year End</u> | <u>Annual<br/>OPEB Cost</u> | <u>Actual<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|------------------------|-----------------------------|--------------------------------|-----------------------------------|--------------------------------|
| 6/30/17                | \$ 1,301,269                | \$ 904,809                     | 69.5%                             | \$ 9,196,692                   |
| 6/30/16                | \$ 1,286,814                | \$ 907,920                     | 70.6%                             | \$ 8,800,232                   |
| 6/30/15                | \$ 1,243,348                | \$ 862,441                     | 69.4%                             | \$ 8,421,338                   |

#### Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$17,468,253, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,468,253. The covered payroll (annual payroll of active employees covered by the plan) was \$4,419,818, and the ratio of the UAAL to the covered payroll was 395.2%. 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.

#### Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the Projected Unit Credit (PUC) method was used. The actuarial assumptions included a 5% investment rate of return, and an annual healthcare cost growth rate of 5.6%, and a payroll growth rate of 4%.

**Note 14 – Risk management:**

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.

The District participates in the Catskill Area Schools Employee Benefit 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 20 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 \$1,000,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$1,000,000 limit, and the District has essentially transferred all related risk to the pool.

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

**Note 15 – 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 audits, the district's administration believes disallowances, if any, will be immaterial.

**Note 16 – Tax abatements:**

The County of Greene enters into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced by \$6,015. The District received payment in Lieu of Tax (PILOT) payments totaling \$11,170.

**Note 17 – Subsequent Events:**

The District has evaluated subsequent events through September 28, 2017, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**Windham-Ashland-Jewett Central School District**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Other Post Employment Benefits Plan**  
**For the Year Ended June 30, 2017**

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(in thousands)<br>(b) | Unfunded AAL<br>(UALL)<br>(in thousands)<br>(b)-(a) | Funded<br>Ratio<br>(a)/(b) | Covered<br>Payroll<br>(in thousands)<br>( c) | UALL as a<br>percentage of<br>Covered<br>Payroll<br>((b-a)/c) |
|-----------------------------|--|--|---|----------------------------|--|---|
| 7/1/16                      | \$ -                                   | \$ 17,468  | \$ 17,468   | 0%                         | \$ 4,420                                     | 395.2%  |
| 7/1/15                      | \$ -                                   | \$ 16,908  | \$ 16,908   | 0%                         | \$ 4,565                                     | 370.4%  |
| 7/1/14                      | \$ -                                   | \$ 16,416  | \$ 16,416   | 0%                         | \$ 4,444                                     | 369.4%  |
| 7/1/13                      | \$ -                                   | \$ 21,269  | \$ 21,269   | 0%                         | \$ 4,560                                     | 466.4%  |
| 7/1/12                      | \$ -                                   | \$ 20,291  | \$ 20,291   | 0%                         | \$ 4,643                                     | 437.0%  |
| 7/1/11                      | \$ -                                   | \$ 19,338  | \$ 19,338   | 0%                         | \$ 4,366                                     | 442.9%  |
| 1/1/11                      | \$ -                                   | \$ 34,174  | \$ 34,174   | 0%                         | \$ 3,396                                     | 1006.3%   |
| 1/1/10                      | \$ -                                   | \$ 31,222  | \$ 31,222   | 0%                         | \$ 3,303                                     | 945.3%  |
| 1/1/09                      | \$ -                                   | \$ 28,463  | \$ 28,463   | 0%                         | \$ 3,340                                     | 852.2%  |

See paragraph on supplementary schedules included in auditor's report.

**Windham-Ashland-Jewett Central School District**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund**  
**For the Year Ended June 30, 2017**

|  | Prior Year<br>Actual | Original<br>Budget | Current Year<br>Final<br>Budget | Actual<br>(Budgetary Basis) | Final Budget<br>Variance With<br>Budgetary Actual |
|--|----------------------|--------------------|---------------------------------|-----------------------------|---|
| <b>REVENUES</b>                              |                      |                    |                                 |                             |   |
| Local Sources                                |                      |                    |                                 |                             |   |
| Real property taxes and other tax items      | \$ 9,615,590         | \$ 9,669,920       | \$ 9,669,920                    | \$ 9,681,189                | \$ (11,269)                                       |
| Charges for services                         | 52,689               | -                  | -                               | 28,864                      | (28,864)  |
| Use of money and property                    | 8,909                | 10,000             | 10,000                          | 7,588                       | 2,412   |
| Sale of property and compensation for loss   | 61                   | -                  | -                               | 10,955                      | (10,955)  |
| Miscellaneous                                | 133,900              | 71,481             | 144,722                         | 204,738                     | (60,016)  |
| Total Local Sources                          | \$ 9,811,149         | \$ 9,751,401       | \$ 9,824,642                    | \$ 9,933,334                | \$ (108,692)                                      |
| State Sources                                | 1,450,974            | 1,490,027          | 1,490,027                       | 1,485,879                   | 4,148   |
| Federal Sources                              | 3,146                | -                  | -                               | 3,661                       | (3,661)   |
| Total Revenues                               | \$ 11,265,269        | \$ 11,241,428      | \$ 11,314,669                   | \$ 11,422,874               | \$ (108,205)                                      |
| <b>OTHER FINANCING SOURCES</b>               |                      |                    |                                 |                             |   |
| Transfers from other funds                   | -                    | 240,000            | 240,000                         | -                           | 2,841   |
| Total Revenues and Other Sources             | \$ 11,265,269        | \$ 11,481,428      | \$ 11,554,669                   | \$ 11,422,874               | \$ (105,364)                                      |
| Appropriated Fund Balance                    |                      | \$ 250,000         | \$ 250,000                      |                             |   |
| Appropriated Reserves                        |                      | -                  | 88,609                          |                             |   |
| Total Revenues and Appropriated Fund Balance |                      | \$ 11,731,428      | \$ 11,893,278                   |                             |   |

**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 auditor's report.

**Windham-Ashland-Jewett Central School District**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund**  
**For the Year Ended June 30, 2017**

|  | Prior Year<br>Actual | Current Year       |                 |                             |                          | Final Budget<br>Variance With<br>Budgetary Actual |
|--|----------------------|--------------------|-----------------|-----------------------------|--------------------------|---|
|  |                      | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary Basis) | Year-end<br>Encumbrances | And Encumbrances                                  |
| <b>EXPENDITURES</b>                        |                      |                    |                 |                             |                          |   |
| General Support                            |                      |                    |                 |                             |                          |   |
| Board of education                         | \$ 18,227            | \$ 17,225          | \$ 19,225       | \$ 12,474                   | \$ -                     | \$ 6,751  |
| Central administration                     | 238,054              | 224,776            | 238,765         | 226,899                     | -                        | 11,866  |
| Finance                                    | 256,135              | 239,431            | 258,136         | 252,706                     | -                        | 5,430   |
| Staff                                      | 46,866               | 34,000             | 32,571          | 30,400                      | -                        | 2,171   |
| Central services                           | 583,284              | 705,684            | 588,871         | 512,116                     | 11,482                   | 65,273  |
| Special items                              | 179,831              | 205,000            | 283,244         | 269,217                     | -                        | 14,027  |
| Total General Support                      | \$ 1,322,397         | \$ 1,426,116       | \$ 1,420,812    | \$ 1,303,812                | \$ 11,482                | \$ 105,518  |
| Instruction                                |                      |                    |                 |                             |                          |   |
| Instruction, administration and improvemen | \$ 269,319           | \$ 300,250         | \$ 296,424      | \$ 291,472                  | \$ -                     | \$ 4,952  |
| Teaching - regular school                  | 3,196,251            | 3,144,942          | 3,151,966       | 3,074,348                   | 3,188                    | 74,430  |
| Programs - children with handicap          | 264,984              | 381,000            | 514,895         | 512,131                     | -                        | 2,764   |
| Programs for learning disabled             | 208,622              | 213,595            | 220,761         | 218,729                     | -                        | 2,032   |
| Occupational education                     | 175,567              | 200,000            | 158,893         | 157,748                     | -                        | 1,145   |
| Teaching - special school                  | 4,680                | 7,250              | 13,397          | 12,799                      | -                        | 598   |
| Instructional media                        | 359,368              | 346,925            | 378,445         | 369,750                     | 345                      | 8,350   |
| Pupil services                             | 452,853              | 478,915            | 607,660         | 574,203                     | 3,960                    | 29,497  |
| Total Instruction                          | \$ 4,931,644         | \$ 5,072,877       | \$ 5,342,441    | \$ 5,211,180                | \$ 7,493                 | \$ 123,768  |
| Pupil Transportation                       | 569,436              | 645,095            | 701,637         | 603,883                     | 41,157                   | 56,597  |
| Community Services                         | -                    | -                  | -               | -                           | -                        | -   |
| Employee Benefits                          | 3,113,111            | 3,433,325          | 3,274,373       | 3,171,655                   | -                        | 102,718   |
| Debt Service                               | 1,142,896            | 1,144,415          | 1,144,415       | 1,144,415                   | -                        | -   |
| Total Expenditures                         | \$ 11,079,484        | \$ 11,721,828      | \$ 11,883,678   | \$ 11,434,945               | \$ 60,132                | \$ 388,601  |
| <b>OTHER FINANCING USES</b>                |                      |                    |                 |                             |                          |   |
| Transfers to other funds                   | 7,552                | 9,600              | 9,600           | 4,703                       | -                        | 4,897   |
| Total Expenditures and Other Uses          | \$ 11,087,036        | \$ 11,731,428      | \$ 11,893,278   | \$ 11,439,648               | \$ 60,132                | \$ 393,498  |
| Net Change in Fund Balances                | \$ 178,233           | \$ -               |                 | \$ (16,774)                 |                          |   |
| Fund Balance - beginning                   | 1,725,439            | -                  |                 | 1,903,672                   |                          |   |
| Fund Balance - ending                      | \$ 1,903,672         | \$ -               |                 | \$ 1,886,898                |                          |   |

**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 auditor's report.



**Windham-Ashland-Jewett Central School District**  
**Required Supplementary Information**  
**Schedules of District Contributions**  
**June 30, 2017**

ERS Pension Plan  
Last 10 Years

|  | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|------------------|
| Contractually Required Contribution                                  | \$ 144,908       | \$ 175,436       | \$ 182,915       |
| Contributions in relation to the Contractually Required Contribution | <u>(144,908)</u> | <u>(175,436)</u> | <u>(182,915)</u> |
| Contribution deficiency (excess)                                     | \$ -             | \$ -             | \$ -             |
| Covered-employee payroll   | \$ 969,619       | \$ 1,032,917     | \$ 995,428       |
| Contributions as a percentage of covered-employee payroll            | 14.94%           | 16.98%           | 18.38%           |

TRS Pension Plan  
Last 10 Years

|  | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|------------------|
| Contractually Required Contribution                                  | \$ 443,401       | \$ 487,844       | \$ 643,276       |
| Contributions in relation to the Contractually Required Contribution | <u>(443,401)</u> | <u>(487,844)</u> | <u>(643,276)</u> |
| Contribution deficiency (excess)                                     | \$ -             | \$ -             | \$ -             |
| Covered-employee payroll   | \$ 3,783,285     | \$ 3,679,071     | \$ 3,660,806     |
| Contributions as a percentage of covered-employee payroll            | 11.72%           | 13.26%           | 17.57%           |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

See paragraph on supplementary schedules included in auditor's report.

**Windham-Ashland-Jewett Central School District**  
**Required Supplementary Information**  
**Schedules of Proportionate Share of the Net Pension Liability (Asset)**  
**June 30, 2017**

ERS Pension Plan  
Last 10 Years

|   | 2017       | 2016         | 2015       |
|---|------------|--------------|------------|
| District's Proportion of the Net Pension Liability  | 0.3751700% | 0.0040296%   | 0.0040713% |
| District's Proportionate Share of the Net Pension Liability                                       | \$ 352,517 | \$ 646,756   | \$ 137,539 |
| District's Covered payroll  | \$ 969,619 | \$ 1,032,917 | \$ 995,428 |
| District's Proportionate Share of the Net Pension Liability<br>as a percentage of covered payroll | 36.36%     | 62.61%       | 13.82%     |
| Plan Fiduciary Net Position as a percentage of the<br>Total Pension Liability                     | 94.70%     | 90.70%       | 97.90%     |

TRS Pension Plan  
Last 10 Years

|  | 2017         | 2016           | 2015           |
|--|--------------|----------------|----------------|
| District's Proportion of the Net Pension Liability   | 2.3842000%   | 0.0244290%     | 0.0247830%     |
| District's Proportion of the Net Pension Asset   | \$ -         | \$ (2,537,397) | \$ (2,760,649) |
| Proportionate Share of the Net Pension Liability   | \$ 255,359   | \$ -           | \$ -           |
| District's Covered payroll   | \$ 3,783,285 | \$ 3,679,071   | \$ 3,660,806   |
| District's Proportionate Share of the Net Pension Asset/Liability<br>as a percentage of covered-employee payroll | 6.75%        | -68.97%        | -75.41%        |
| Plan Fiduciary Net Position as a percentage of the<br>Total Pension Asset  | 99.01%       | 110.46%        | 111.48%        |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

See paragraph on supplementary schedules included in auditor's report.

**Windham-Ashland-Jewett Central School District**  
**Schedules of Change from Adopted Budget to Final Budget**  
**And Real Property Tax Limit**  
**For the Year Ended June 30, 2017**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

|                |               |
|----------------|---------------|
| Adopted Budget | \$ 11,731,428 |
|----------------|---------------|

## Add: Appropriated Reserves:

|                           |    |        |        |
|---------------------------|----|--------|--------|
| Prior year's encumbrances | \$ | 25,831 |        |
| Employee Benefits         |    | 12,778 |        |
| Liability and Casualty    |    | 50,000 |        |
|                           | \$ |        | 88,609 |

## Budget Revisions:

|  |           |
|--|-----------|
| Donations accepted by the Board of Education | \$ 73,241 |
|--|-----------|

|              |               |
|--------------|---------------|
| Final Budget | \$ 11,893,278 |
|--------------|---------------|

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

|   |               |
|---|---------------|
| 2017-2018 Voter approved Expenditure Budget | \$ 11,957,611 |
|---|---------------|

|                      |            |
|----------------------|------------|
| Maximum Allowed (4%) | \$ 478,304 |
|----------------------|------------|

## General Fund Fund Balance Subject to Section 1318 of Real property Tax Law:

## Unrestricted Fund Balance

|                                 |    |         |         |
|---------------------------------|----|---------|---------|
| Committed Fund Balance          | \$ | -       |         |
| Assigned Fund Balance           |    | 310,132 |         |
| Unassigned Fund Balance         |    | 475,892 |         |
| Total Unrestricted Fund Balance | \$ |         | 786,024 |

## Less:

|  |    |         |         |
|--|----|---------|---------|
| Appropriated Fund Balance                                    | \$ | 250,000 |         |
| Encumbrances included in committed and assigned Fund Balance |    | 60,132  |         |
| Total Adjustments  |    |         | 310,132 |

|  |            |
|--|------------|
| General Fund Fund Balance Subject to Section 1318 of Real property Tax Law | \$ 475,892 |
|--|------------|

|                   |       |
|-------------------|-------|
| Actual Percentage | 3.98% |
|-------------------|-------|

**Windham-Ashland-Jewett Central School District**  
**Supplementary Information**  
**Schedule of Project Expenditures**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2017**

| PROJECT TITLE              | Original<br>Appropriation | Revised<br>Appropriation | Expenditures   |                 |            | Unexpended<br>Balance |
|----------------------------|---------------------------|--------------------------|----------------|-----------------|------------|-----------------------|
|                            |                           |                          | Prior<br>Years | Current<br>Year | Total      |                       |
| NYS Smart Schools Bond Act | \$ 147,823                | \$ 147,823               | \$ -           | \$ 135,103      | \$ 135,103 | \$ 12,720             |

See paragraph on supplementary schedules included in auditor's report.

**Windham-Ashland-Jewett Central School District**  
**Supplementary Information**  
**Schedule of Project Expenditures**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2017**

| PROJECT TITLE              | Unexpended<br>Balance | Methods of Financing       |              |                |                  |            | Fund<br>Balance<br>June 30, 2017 |
|----------------------------|-----------------------|----------------------------|--------------|----------------|------------------|------------|----------------------------------|
|                            |                       | Proceeds of<br>Obligations | State<br>Aid | Federal<br>Aid | Local<br>Sources | Total      |                                  |
| NYS Smart Schools Bond Act | \$ 12,720             | \$ -                       | \$ 135,053   | \$ -           | \$ -             | \$ 135,053 | \$ (50)                          |

-

See paragraph on supplementary schedules included in auditor's report.

**Windham-Ashland-Jewett Central School District**  
**Supplementary Information**  
**Investment in Capital Assets, Net of Related Debt**  
**June 30, 2017**

|   |                   |                            |
|---|-------------------|----------------------------|
| Capital assets, net                               |                   | \$ 18,856,400              |
| Deduct:   |                   |                            |
| Related debt (less unexpended bond proceeds)      |                   |                            |
| Short-term portion of bonds payable               | \$ 620,000        |                            |
| Long-term portion of bonds payable                | <u>13,925,000</u> |                            |
| Total bonds payable                               | \$ 14,545,000     |                            |
| Related debt                                      |                   | <u>14,545,000</u>          |
| Investment in capital assets, net of related debt |                   | <u><u>\$ 4,311,400</u></u> |

See paragraph on supplementary schedules included in auditor's report.

# ALEXANDER VARGA & CO.

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER**

## **FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

## **BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN**

## **ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Windham-Ashland-Jewett Central School District  
Windham, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the of the governmental activities, each major fund, and the aggregate remaining fund information of the Windham-Ashland-Jewett Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2017.

### **Internal Control over Financial Reporting**

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

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

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

control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Others Matters**

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

We noted certain matters that we reported to management of the Windham-Ashland-Jewett Central School District in a separate letter dated September 28, 2017.

### **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 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 the 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.

*Alexander Varga & Co.*

September 28, 2017



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## INDEPENDENT AUDITORS REPORT

Board of Education  
Windham-Ashland-Jewett Central School District  
Windham, New York

We have audited the accompanying Statement of Revenues Collected and Expenses Paid of the Windham-Ashland-Jewett Central School District's Extraclassroom Activity Fund for the year ended June 30, 2017, and related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts, disbursements, and changes in fund balance of the Extraclassroom Activity Funds of Windham-Ashland-Jewett Central School District as of and 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 statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a comprehensive 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.

*Alexander Varga & Co.*

September 28, 2017

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT  
EXTRACLASROOM ACTIVITY FUNDS  
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID  
YEAR ENDED JUNE 30, 2017

| <u>ACTIVITIES</u>             | <u>BALANCE<br/>JULY 1, 2016</u> | <u>REVENUES<br/>COLLECTED</u> | <u>EXPENSES<br/>PAID</u> | <u>BALANCE<br/>JUNE 30, 2017</u> |
|-------------------------------|---------------------------------|-------------------------------|--------------------------|----------------------------------|
| Class of 2017                 | 5,945.95                        | 8,558.60                      | 14,341.77                | 162.78                           |
| Class of 2018                 | 3,641.11                        | 5,394.40                      | 4,910.83                 | 4,124.68                         |
| Class of 2019                 | 858.59                          | 3,131.48                      | 2,427.35                 | 1,562.72                         |
| Class of 2020                 | -                               | 4,538.50                      | 1,289.21                 | 3,249.29                         |
| Student Council               | 2,530.69                        | 74.00                         | 680.47                   | 1,924.22                         |
| Drama Club                    | 6,931.31                        | 5,714.46                      | 7,557.62                 | 5,088.15                         |
| Yearbook - The Wajerian       | 5,712.75                        | 3,080.00                      | 4,651.61                 | 4,141.14                         |
| Science Club                  | 1,779.50                        | 1,661.04                      | 1,363.40                 | 2,077.14                         |
| Snow Sports Club              | 1,569.84                        | 36.18                         | 850.86                   | 755.16                           |
| National Honor Society        | 2,585.87                        | -                             | 260.84                   | 2,325.03                         |
| Band Boosters                 | 10,631.56                       | 23,342.30                     | 24,648.53                | 9,325.33                         |
| Junior National Honor Society | 1,430.86                        | -                             | 381.26                   | 1,049.60                         |
| Fund Balance                  | <u>\$ 43,618.03</u>             | <u>\$ 55,530.96</u>           | <u>\$ 63,363.75</u>      | <u>\$ 35,785.24</u>              |

WINDHAM-ASHLAND-JEWETT CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

**NOTE 1 - Summary of Significant Accounting Policies**

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Windham-Ashland-Jewett Central School District. Extraclassroom assets and related fund balances are reported in the Trust and Agency Fund Balance Sheet in the District's general-purpose financial statements.

The accounts of the Extraclassroom Activity Funds of the Windham-Ashland-Jewett 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.

**ALEXANDER VARGA & CO.**  
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**MANAGEMENT LETTER**

Board of Education  
Windham-Ashland-Jewett Central School District  
Windham, New York

As part of our audit of the financial statements of the Windham-Ashland-Jewett Central School District for the year ended June 30, 2017, we evaluated the District's internal control structure and performed tests of the District's compliance with certain laws and regulations. Our Report on Compliance and Internal Control appears on pages 63 and 64 of this report.

Our evaluation of internal control and tests of compliance were primarily designed to assist us in expressing an opinion on the District's financial statements, and not to provide assurance on its internal control structure or compliance with laws and regulations. As such, our tests were not designed to disclose all internal control weaknesses or instances of noncompliance.

Government Auditing Standards issued by the American Institute of Certified Public Accountants requires that we communicate certain audit matters to the Board of Education, who has responsibility for the oversight of the financial reporting process. The New York State Education Department requires that we submit a management letter that identifies weaknesses in internal control and recommendations for improvement. It also requires that we cite non-material instances of noncompliance.

We found no such weaknesses in internal control or recommendations for improvement that we feel warrant discussion in this management letter.

This report is intended for the information of the District's administration, Board of Education, and cognizant regulatory agencies. However, this report is a matter of public record and its distribution is not limited. Our comments and recommendations are as follows:

*Alexander Varga & Co.*

September 28, 2017

# ALEXANDER VARGA & CO.

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To the Board of Education  
Windham-Ashland-Jewett Central School District  
Windham, New York

We have audited the financial statements of the governmental activities and each major fund of the Windham-Ashland-Jewett 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, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you dated August 1, 2017. Professional Standards also require that we communicate to you the 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 the District are described in Note 1 to the financial statements. We noted no transactions entered into by the government unit 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 estimates affecting the Windham-Ashland-Jewett Central School District's financial statements were:

1 –Land, Buildings and Equipment, at cost, net of Accumulated Depreciation. Management's estimate of this asset is based on an estimate of the historical cost of structures owned by the District. Depreciation is calculated using estimated useful lives of these assets. We evaluated the key factors and assumptions used to develop Depreciation Expense in determining that it is reasonable in relation to the financial statements taken as a whole.

2 –Other Post Employment Liabilities. Management's estimate of this liability is based on a calculation prepared by an actuary retained by the District. We evaluated the key factors and assumptions used to develop this liability in determining that it is reasonable in relation to the financial statements taken as a whole.

3 – Net Pension Asset (NYS Teachers Retirement System), Net Pension Liability (NYS Employees Retirement System), and related Deferred Outflows and Inflows of Resources. Management's estimates of these assets, liabilities, deferred outflows, and deferred inflows are based on estimates prepared by actuaries retained by the two retirement systems. We evaluated the key factors and assumptions used to develop this liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- 1 - The disclosure of Land, Buildings and Equipment in Note 1 (M) to the financial statements.
- 2 – The disclosure of Other Post Employment Liabilities in Note 15 to the financial statements.
- 3 – The disclosure of Net Pension Assets and Liabilities and Deferred Outflows and Inflows of Resources, in Note 1 (N) to the financial Statements

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

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in performing 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. We found no misstatements during our audit that required correction.

#### *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 28, 2017.

#### *Other Audit Findings or Issues*

We have issued a Management Letter which appears on pages 69 of our report. In this letter we address issues that we believe should be addressed by District's management.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit'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*

With respect to the supplementary information accompanying the financial statements, 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. This information is intended solely for the use of the Board of Education and management of the Windham-Ashland-Jewett Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

*Alexander Varga & Co.*

September 28, 2017