

***SHENENDEHOWA CENTRAL SCHOOL DISTRICT
AT CLIFTON PARK***

FINANCIAL REPORT

JUNE 30, 2016

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AT CLIFTON PARK
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SHENENDEHOWA CENTRAL SCHOOL DISTRICT
AT CLIFTON PARK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2016

This section of the Shenendehowa Central School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. It is based on both the governmental-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District completed the 2015-16 year with the following:

- an increase in restricted reserve funds of \$2.56 million, due to an increase in estimated long term liabilities related to employees' benefits and retirement costs as well as establishing a voter approval capital reserve fund.
- an increase in net investment in capital assets, net of related debt, of \$4.84 million, due to reducing the District's outstanding long term debt.
- an increase in unrestricted net assets of \$6.69 million.

Property tax revenue increased by over \$1.6 million in 2015-2016. This represents an increase in taxes of 1.41% over 2014-2015 with a true value tax rate decrease of 1.38%. An average annual tax base increase of 1.5% over the last 3 years has allowed the District to absorb tax levy increases with modest increases in the tax rate.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

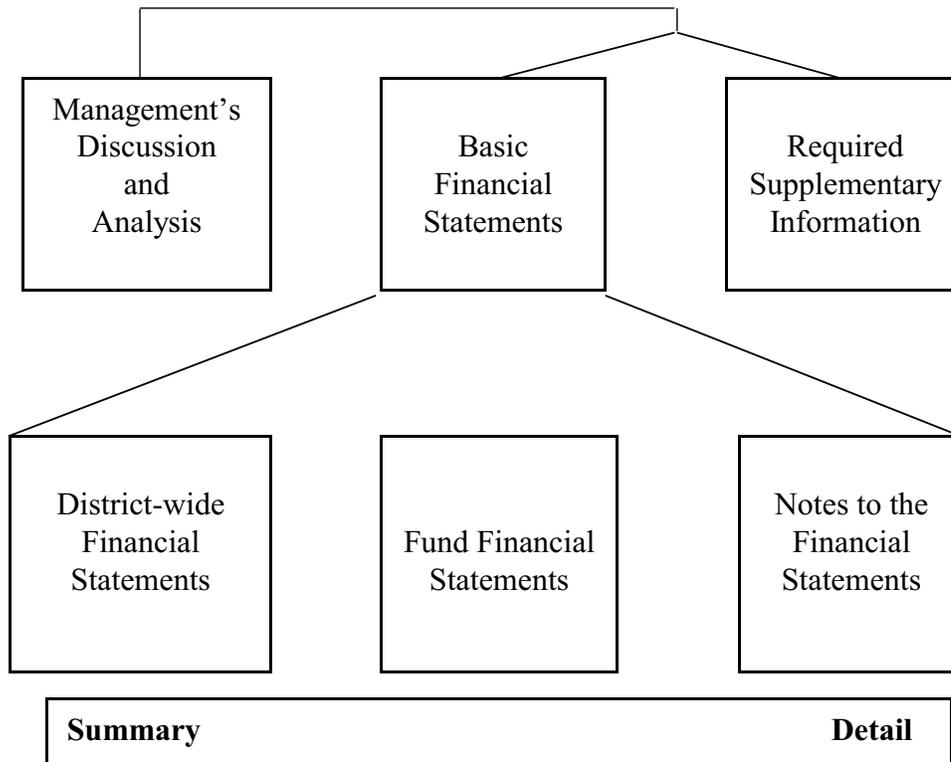
- The first two statements are ***district-wide financial statements*** that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are ***fund financial statements*** that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The ***governmental fund statements*** tell how basic services such as instruction and transportation were financed in the *short-term* as well as what remains for future spending.
- ***Proprietary fund statements*** offer *short-* and *long-term* financial information about the activities the District operates *like a business*, such as the Enterprise Fund. This fund is used to account for the cost of fuel and services rendered to other school districts, municipalities and not-for-profit organizations on a fee for service basis.
- ***Fiduciary fund statements*** provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

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The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of the Shenendehowa Central School District Annual Financial Report



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Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-wide and Fund Financial Statements

<u>Description</u>	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as regular and special education and building maintenance	Activities the District operates similar to private businesses: Regional Transportation Fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	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 financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
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DISTRICT-WIDE STATEMENTS

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

- Over time, increases and decreases in net assets are an indicator of whether its financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are divided into two categories:
- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's Regional Transportation Program is included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the 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 requirements.
- The District establishes other funds to control and 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).

SHENENDEHOWA CENTRAL SCHOOL DISTRICT

AT CLIFTON PARK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
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The District has three kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of or following the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently does not use *internal service funds* (the other kind of proprietary fund) to report activities.
- **Fiduciary funds:** The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position increased by \$14.1 million from (\$15.0) million to (\$.91) million. This is mainly due to the increased post-employment benefit costs, offset by a reduction in long term capital debt and net pension assets.

Total assets decreased \$5.4 million, or 2.9%. Current and other assets decreased \$.8 million due mainly to a decrease in cash. Capital assets decreased \$4.6 million as a result of a net increase in total capital assets of \$2.4 million offset by \$7.0 million in net depreciation cost.

Total liabilities increased by \$14.1 million, or 8.2%. This is mainly from a \$13.25 million increase in the net pension liability. The short term portion decreased \$5.3 million due to a decrease in Bond Anticipation Notes of \$2.0 million and decreases in Teachers Retirement System and other short term liabilities. The District made a strategic decision to utilize operational excesses in the 2015-16 budget to pay down short-term debt before bonding for the long term in order to provide capacity in borrowing for future capital projects while minimizing the impact on the tax levy. The increase in the long term debt is mainly due to increases in the postemployment benefits liability of \$13.8 million offset by reductions in bonds payable of \$8.6 million for various capital projects. Currently, the state offers no mechanism to reserve for postemployment benefits.

The District has taken a number of steps to reserve funds for future anticipated costs. While being proactive in setting aside funds for anticipated liabilities, the District reported a net increase in reserves of \$2.56 million compared to 2014-15 due to increases in the total estimated liabilities associated with reserves.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT

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MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)

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The Tax Certiorari Reserve includes estimates to fund property tax claims filed against the District. The District utilized funds in 2015-16 in the amount of \$.2 million to fund several claim settlements that occurred during the year. The balance of the reserve represents the estimated liability of claims outstanding as of the end of 2015-16.

The Workers Compensation Reserve balance was decreased by \$.14 million to appropriately fund the estimated liability for current outstanding workers' compensation cases.

The District is utilizing the Retirement Contribution Reserve to offset increases in employees' retirement costs. The District reappropriated \$.75 million for use in 2015-16 as well as for the 2016-2017 budget, and added \$1.25 million to this reserve at the end of the year.

The District is utilizing the Employee Benefit Accrued Liability Reserve to fund future leave credits that have accumulated and are to be paid out at retirement. The District utilized \$.66 million of this reserve in 2015-16, and reappropriated \$.66 million as a resource in the 2016-17 budget year, and added \$1.27 million to this reserve at the end of the year.

The District established a Capital Reserve in 2015-16, based on voter approval in May 2016. In this initial year, the District reserved \$1.5 million.

The business activities of the District represent less than one-half of one percent of the District's net assets and increased by \$3,900 or 2%.

Figure-A-3

**Condensed Statement of Net Position - Governmental Activities
(in thousands)**

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 88,853	\$ 89,720	\$ 232	\$ 167	\$ 89,085	\$ 89,887	(.9%)
Capital assets	<u>89,398</u>	<u>94,003</u>	<u>-</u>	<u>-</u>	<u>89,398</u>	<u>94,003</u>	(4.9%)
Total assets	<u>178,251</u>	<u>183,723</u>	<u>232</u>	<u>167</u>	<u>178,483</u>	<u>183,890</u>	(2.9%)
Deferred outflows	<u>13,420</u>	<u>1,064</u>	<u>-</u>	<u>-</u>	<u>13,420</u>	<u>1,064</u>	1,161.3%
Long-term debt outstanding	157,586	151,125	-	-	157,586	151,125	4.3%
Other liabilities	<u>28,252</u>	<u>20,647</u>	<u>61</u>	<u>-</u>	<u>28,313</u>	<u>20,647</u>	37.1%
Total liabilities	<u>185,838</u>	<u>171,772</u>	<u>61</u>	<u>-</u>	<u>185,899</u>	<u>171,772</u>	8.2%
Deferred inflows	<u>6,916</u>	<u>28,188</u>	<u>-</u>	<u>-</u>	<u>6,916</u>	<u>28,188</u>	(75.5%)
Net position							
Invested in capital assets, net of related debt	38,848	34,007	-	-	38,848	34,007	14.2%
Restricted	23,262	20,700	-	-	23,262	20,700	12.4%
Unrestricted	<u>(63,193)</u>	<u>(69,880)</u>	<u>171</u>	<u>167</u>	<u>(63,022)</u>	<u>(69,713)</u>	9.6%
Total net position	<u>\$ (1,083)</u>	<u>\$ (15,173)</u>	<u>\$ 171</u>	<u>\$ 167</u>	<u>\$ (912)</u>	<u>\$ (15,006)</u>	<u>93.9%</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT
AT CLIFTON PARK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
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CHANGES IN NET POSITION FROM OPERATING RESULTS

The District experienced an increase in net position of \$2.8 million in 2015-16, due to expenditures exceeding revenues. However, certain post-employment benefits (\$13.8 million) and depreciation expense (\$8.2 million) accruals do not affect the District's budgetary appropriations.

The District's total revenue increased by 2.2%, or \$3.7 million, to a total of \$167.5 million (See Figure A-4). An increase in taxes accounted for \$1.6 million and an increase of \$1.7 million in state aid account for the majority of the balance of this increase.

Expenditures decreased 5.0% or \$8.8 million to a total of \$164.7 million. The largest components of the decrease occurred in employee benefits, with a reduction of \$11.4 million from 2014-2015. This decrease was offset by increases in other categories, mainly instructional costs, which increased by \$2.1 million and general support which increased by \$.9 million. Benefits cost decreases were driven mainly by decreases in retirement costs (\$2.8 million) and post-employment benefits (\$2.1 million), offset by an increase in health insurance cost of \$1.6 million. Instructional costs increased (\$2.1 million) as a function of salary increases included in bargaining unit contracts.

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AT CLIFTON PARK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2016

Figure A-4

Changes in Net Position from Operating Results
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>School District</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Revenues							
Program revenues							
Charges for services	\$ 4,197	\$ 4,160	\$ 63	\$ 66	\$ 4,260	\$ 4,226	0.8%
Operating grants	3,663	3,041	-	-	3,663	3,041	20.5%
General revenues							
Property taxes	115,682	114,073	-	-	115,682	114,073	1.4%
State formula aid and EXCEL aid	43,264	41,519	-	-	43,264	41,519	4.2%
Other	<u>677</u>	<u>1,048</u>	<u>-</u>	<u>-</u>	<u>1,544</u>	<u>1,048</u>	(35.4%)
Total Revenues	<u>167,483</u>	<u>163,841</u>	<u>63</u>	<u>66</u>	<u>167,546</u>	<u>163,907</u>	2.2%
Expenses							
General Support	14,141	13,232	-	-	14,141	13,232	6.9%
Instruction	81,081	78,950	-	-	81,081	78,950	2.7%
Pupil transportation	8,741	8,625	59	61	8,800	8,686	1.3%
Employee benefits	47,278	58,657	-	-	47,278	58,657	(19.4%)
Interest expense	1,955	2,411	-	-	1,955	2,411	(18.9%)
Other expense	10	13	-	-	10	13	(23.1%)
School lunch program	3,267	3,378	-	-	3,267	3,378	(3.3%)
Depreciation - - unallocated	<u>8,200</u>	<u>8,161</u>	<u>-</u>	<u>-</u>	<u>8,200</u>	<u>8,161</u>	.5%
Total Expenses	<u>164,673</u>	<u>173,427</u>	<u>59</u>	<u>61</u>	<u>164,732</u>	<u>173,488</u>	(5.0%)
Increase (Decrease) in Net Position	<u>\$ 2,810</u>	<u>\$ (9,586)</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 2,814</u>	<u>\$ (9,581)</u>	<u>129.4%</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT
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AND ANALYSIS (UNAUDITED) (CONTINUED)
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Figure A-5

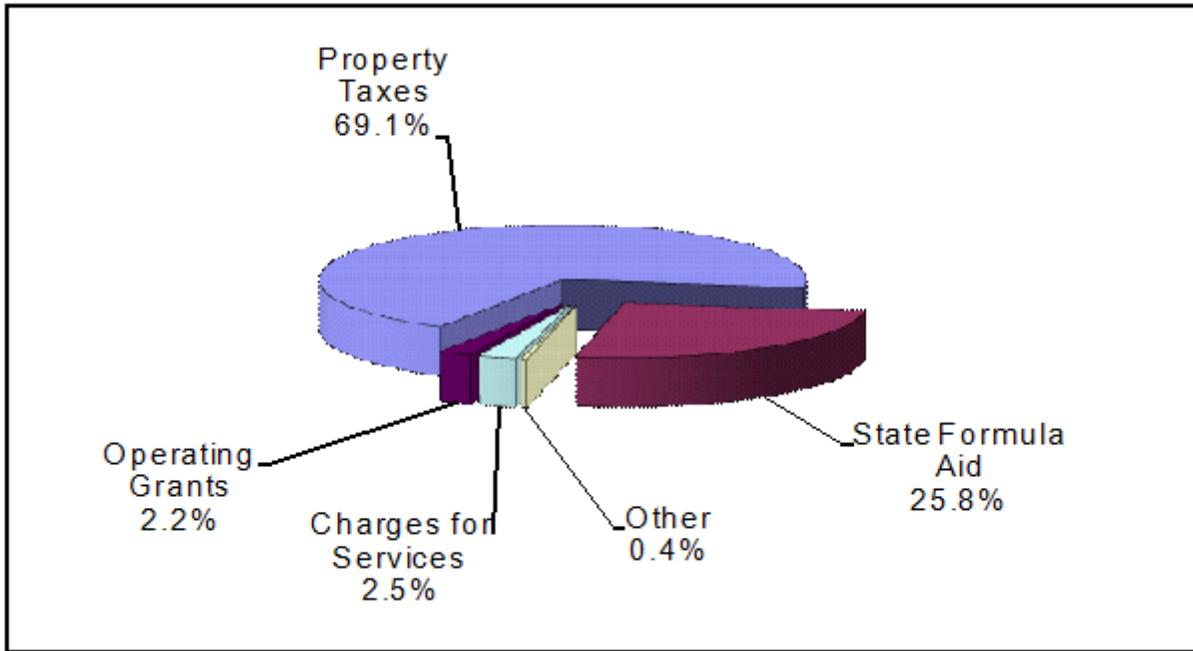
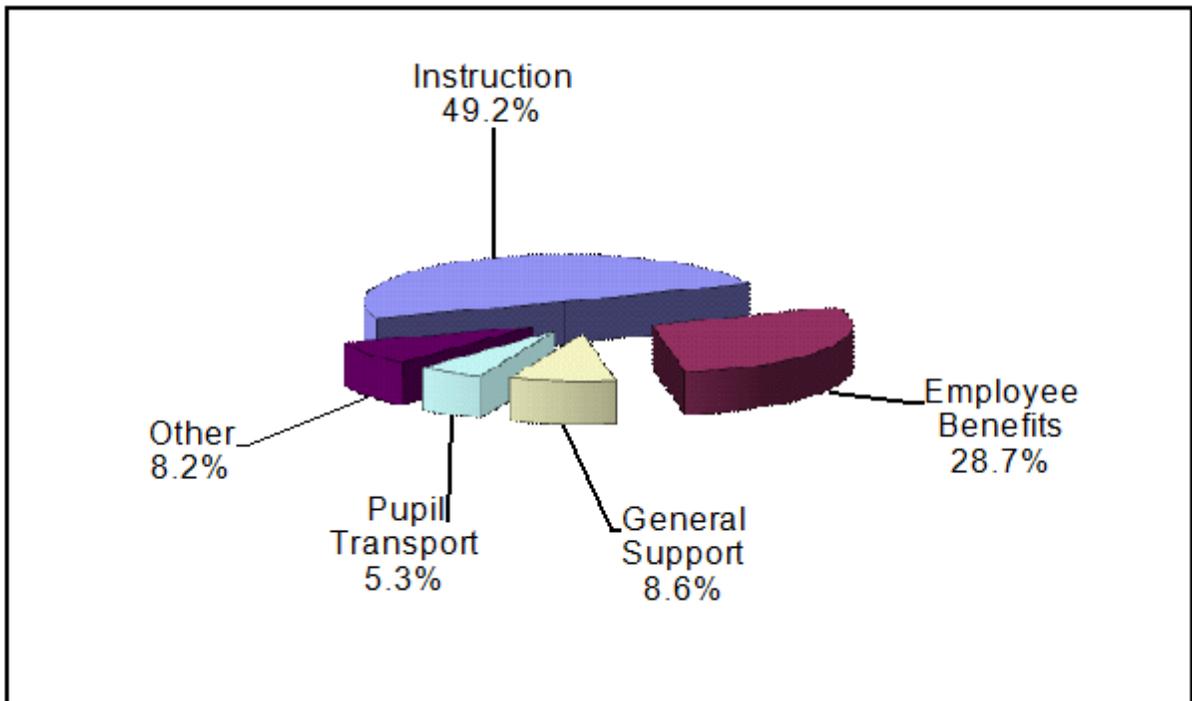


Figure A-6



SHENENDEHOWA CENTRAL SCHOOL DISTRICT
AT CLIFTON PARK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
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GOVERNMENTAL ACTIVITIES

The total net cost of all programs decreased \$9.4 million or 5.7%. The decrease in overall costs resulted mainly from decreases in benefit costs, particularly in the teachers' state retirement plan. Compared with total cost of services, the net cost of services reflects the offset of various revenue items, including \$3.5 million in state and federal grants, \$4.4 million in food service sales and surplus food, tuitions, admissions, student charges and rental fees for public use of facilities.

Figure A-7

Net Cost of Governmental Activities
(in thousands)

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
General support	\$ 14,141	\$ 13,232	6.9%	\$ 13,736	\$ 12,863	6.8%
Instruction	81,081	78,950	2.7%	76,878	75,452	1.9%
Pupil transportation	8,741	8,625	1.3%	8,741	8,625	1.3%
Employee benefits	47,278	58,657	(19.4%)	47,278	58,657	(19.4%)
Interest expense	1,955	2,411	18.9%	1,955	2,411	(18.9%)
Other expenses	10	13	(23.1%)	10	13	(23.1%)
School lunch program	3,267	3,378	(3.3%)	14	44	(68.2%)
Depreciation -						
- unallocated	8,200	8,161	.5%	8,200	8,161	.5%
Total	<u>\$ 164,673</u>	<u>\$ 173,427</u>	<u>(5.1%)</u>	<u>\$ 156,812</u>	<u>\$ 166,226</u>	<u>(5.7%)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District completed the year with its governmental funds reporting combined fund balances of \$34.8 million, which is a \$3.5 million increase from 2014-15. The General Fund reported a fund balance of \$31.1 million, or an increase of \$1.9 million over 2014-15. The Non-Major Fund reported a fund balance of \$3.75 million, which is an increase of \$1.6 million from 2014-15. The increase in the Non-Major Fund equity is primarily the result of the reduction of short term debt as the District paid down the balance of Bond Anticipation Notes with savings amounts derived in the 2015-16 budget.

General Fund Budgetary Highlights

The General Fund ended the year expending 96.88% of the budget and realizing 100.26% of revenues, resulting in an unassigned fund balance of approximately \$6.4 million. This represents 3.87% of the ensuing year's budget which is within the 4% statutory cap.

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Expenditures

The cost of programs and services (including encumbrances) was approximately \$5.1 million less than budgeted. This is a direct result of the District's continued strategy to contain costs in a variety of ways that creates the least impact on student programs. The most significant variances are noted below.

- Salaries expended for all employee groups amounted to \$2.1 million less than budgeted. The savings resulted from retirements, resignations, delayed replacement of certain positions when possible and leaves that occur throughout the year offset by substitute costs or replacements by new and lower paid employees starting out at the beginning of the various salary schedules.
- Overall, benefit costs were approximately \$.65 million less than budgeted. Approximately \$.32 million of this savings came from health and dental expenditures. The savings were derived from several sources. Premiums were expected to increase from 8.0%-11%, depending on the plan. The actual increase average was 6.25%. One bargaining unit agreed to a 1% increase in the employee contributions as well as a three tier drug plan. Self-funded prescription and dental plans continue to result in contained costs in addition to prescription rebates from the pharmacy benefit manager utilized. In addition, the District's benefits' broker negotiated deeper discount arrangements with the current Pharmacy Benefit Manager for the next several years. Retirement and social security costs were under budget by approximately \$.11 million combined, due to the savings realized in the cost of salaries.
- Utility costs came in \$.71 million under budget due to reduced energy usage as a result of the District's energy management system and increased awareness spearheaded by the District's environmental committee.
- Savings from the various areas in the budget provided flexibility in the budget to pay down \$2.05 million in principal on Bond Anticipation Notes borrowed in the short term that will result in capacity to add new long term debt in consideration of future capital projects without negatively impacting the tax levy. In addition, the District was able to reduce long-term bond borrowings by utilizing \$1.2 million of budgetary savings toward the purchase of \$2.2 million of buses approved by the voters in 2016.

Revenues

The District exceeded the total amount budgeted. The district experienced an increase in state aid of \$.43 million over budgeted amounts. These amounts offset shortages in several smaller revenue sources in the budget, including interest income and Medicaid Part D reimbursements.

Special Aid Fund (Federal and State Grants)

The federal and state governments subsidized certain programs with grants and contributions. Funding received from these sources amounted to \$.58 million more than in 2014-15.

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School Lunch Fund

The fund balance is the School Lunch Fund decreased by \$5,000 in 2015-16. This was a result of a decrease in sales of \$159,000 offset by an increase in state and federal aid of \$76,000 and expenditures decreased by \$111,000 from 2014-15, primarily due to cost containment measures implemented during the year.

Community Service Fund

The fund balance of the Community Services Fund increased by \$29,000 in 2015-16 as a result of increased community use of facilities as well as increased fees to cover oversight and costs of facilities used by outside user groups.

Business-Type Activities

Enterprise Fund

The District has a Regional Transportation Program which operates on a fee for service basis. This program provides fuel and transportation to local school districts, municipalities and not-for-profit organizations on a cost reimbursement basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District has invested \$89.4 million, net of depreciation, in a broad range of assets, including school buildings, furniture and equipment, transportation facility, and administrative offices. Capital assets decreased approximately \$4.6 million from 2015-16. This is due to the acquisitions of approximately \$10.0 million, \$6.4 million of dispositions and adjustments, and \$8.2 million of depreciation expense. Of the additions, \$1.3 million is a result of construction in progress as part of a \$10.8 million capital project.

Figure A-8

**Capital Assets (net of depreciation)
(in thousands)**

	Total School District		Percentage Change
	<u>2016</u>	<u>2015</u>	
Land	\$ 913	\$ 913	0.0%
Construction in progress	1,850	6,762	(72.6%)
Buildings	78,005	78,152	(0.2%)
Equipment and furniture	8,630	8,176	5.6%
Total	<u>\$ 89,398</u>	<u>\$ 94,003</u>	<u>(4.9%)</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT
AT CLIFTON PARK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2016

Long-Term Debt Account Group

At year-end, the District held \$157.6 million in general obligation bonds and other general obligation debt outstanding. This represents an increase of approximately \$6.4 million or 4.2% over the prior year. The change is comprised primarily of the following:

- New debt issuances for buses of \$.988 million
- Refinance and repayment of general obligation debt of \$9.3 million
- Additional accrual for postemployment benefits of \$13.8 million

Figure A-9

**Outstanding Long-term Debt
(in thousands)**

	Total School District		Percentage Change
	2016	2015	
General obligation bonds and notes (financed with property taxes)	\$ 51,703	\$ 60,092	(14.0%)
Other general obligation debt	105,883	91,128	16.2%
Total	\$ 157,586	\$ 151,220	4.2%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has been contracting with Capital District Regional Planning Commission (CDRPC) each year to prepare enrollment projections as a basis for budget planning. Prior to the 2011-2012 fiscal year, the CDRPC's reports indicated growth over the next 5 years of almost 300 students. The report dated November 2016 projected modest reductions in the District's enrollment through 2020-21 due to the downturn in the economy and an increase in private full-day kindergarten enrollments. The District currently provides a half-day kindergarten program. However, CDPRC also noted that the recent and ongoing construction and expansion of the Global Foundries Semiconductor Manufacturing Facility in Malta, as well as the supporting industries that are expected to build in the area, will likely drive increases in enrollments at some point in the future. During the summer of 2007, the District completed construction of a new 550 pupil elementary school and an addition of 11 classrooms to the middle schools to address enrollment growth.

The District also utilizes a Futures Committee to further monitor the growth of the area and its anticipated impact on District enrollment. The Committee continues to meet with officials of the three largest towns in the District as well as other community leaders to project growth in the District and make recommendations to the Board of Education for long-range planning purposes.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT
AT CLIFTON PARK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2016

The committee last reported to the Board of Education in January 2012. Their report concluded that growth within the District would continue for the next 15 to 20 years and would result in significant increases in student population. The Committee strongly recommended that the Board of Education take steps to secure land to provide for future growth. In addition, a grant of \$350,000 was set aside for this purpose.

During the last year, the town of Clifton Park approved a rezoning plan to address current and future growth issues in the town. As a result, interest has emerged in the town to further enhance and develop commercial areas. The District has received approval on an application to the town to subdivide and rezone a portion of unused land near the Shatekon facility that is adjacent to areas of interest to developers. The District has currently issued a Request for Proposal to sell the unused portion of land for commercial use. The RFP's are due to the District in October 2016. The District anticipates using proceeds of the sale to purchase more suitable land for the purpose of erecting another school building when it becomes necessary to do so.

Voters in the District approved a \$16.6 million capital project plan in May 2016 to address a number of health and safety issues around the District. In addition, the District will renovate the library space at the high school to update the space to accommodate 21st century learners with appropriate technology. The balance of the project will update playground spaces at all elementary schools to meet ADA standards and implement a district-wide signage plan approved by the Board of Education in January 2016.

The District's favorable bond rating from Standard & Poors (AA with a stable outlook) allowed the District to refinance several issues of long term debt over the last few years to take advantage of lower interest rates. Savings derived from refinancing has provided some financial flexibility to obtain voter support for the capital projects that have minimal impact on taxpayers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

The Office of Financial Services
Shenendehowa Central School District
5 Chelsea Place
Clifton Park, New York 12065-3240

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MEMBERS OF:
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Education
Shenendehowa Central School District
at Clifton Park
Clifton Park, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shenendehowa Central School District at Clifton Park (the "District"), as of and for the year ended June 30, 2016 as listed in the table of contents, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of funding progress - other postemployment benefit plans, proportionate share of net pension assets/liabilities and district contributions - pension plans on pages 1-14 and 58-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information on pages 63-67 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 72 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplemental information on pages 63-67 and the schedule of expenditures of federal awards on page 72 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 26, 2016

SHENENDEHOWA CENTRAL SCHOOL DISTRICT
AT CLIFTON PARK
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS

	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Unrestricted Cash	\$ 20,862,956	\$ 225,709	\$ 21,088,665
Restricted Cash	23,315,898	-	23,315,898
Cash Held with Fiscal Agent	866,700	-	866,700
Accounts Receivable	886,053	6,427	892,480
Prepaid Expenses	13,064	-	13,064
Due from Business-Type Activities	60,924	-	60,924
Due from Fiduciary Funds	732,208	-	732,208
State and Federal Aid Receivable	2,188,235	-	2,188,235
Due from Other Governments	1,246,899	-	1,246,899
Inventories	112,174	-	112,174
Capital Assets, Net	89,397,772	-	89,397,772
Net Pension Assets	38,567,739	-	38,567,739
Total Assets	<u>178,250,622</u>	<u>232,136</u>	<u>178,482,758</u>
Deferred Outflows, Pension	13,420,331	-	13,420,331
Total Assets and Deferred Outflows	<u>\$ 191,670,953</u>	<u>\$ 232,136</u>	<u>\$ 191,903,089</u>

LIABILITIES AND DEFERRED INFLOWS

Current Liabilities:			
Accounts Payable	\$ 991,692	\$ -	\$ 991,692
Accrued Liabilities	1,270,614	-	1,270,614
Bond Anticipation Notes Payable	1,565,000	-	1,565,000
Due to Other Governments	928	-	928
Accrued Interest	402,903	-	402,903
Due to Fiduciary Funds	39,082	-	39,082
Due to Governmental Activities	-	60,924	60,924
Unearned Revenue	1,124,849	-	1,124,849
Due to Teachers' Retirement System	8,384,208	-	8,384,208
Due to Employees' Retirement System	1,220,122	-	1,220,122
Bonds Payable Within One Year	8,838,365	-	8,838,365
Long-Term Liabilities			
Bonds Payable	42,865,000	-	42,865,000
Bonds Premium	1,521,700	-	1,521,700
Compensated Absences	11,326,547	-	11,326,547
Other Postemployment Benefits	92,403,494	-	92,403,494
Workers' Compensation Liability	630,587	-	630,587
Net Pension Liability	13,252,122	-	13,252,122
Total Liabilities	<u>185,837,213</u>	<u>60,924</u>	<u>185,898,137</u>
Deferred Inflows, Pension	6,916,488	-	6,916,488
Total Liabilities and Deferred Inflows	<u>192,753,701</u>	<u>60,924</u>	<u>192,814,625</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	38,848,260	-	38,848,260
Restricted	23,262,210	-	23,262,210
Unrestricted	(63,193,218)	171,212	(63,022,006)
Total Net Position	<u>(1,082,748)</u>	<u>171,212</u>	<u>(911,536)</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$ 191,670,953</u>	 <u>\$ 232,136</u>	 <u>\$ 191,903,089</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT

AT CLIFTON PARK

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Support	\$ 14,141,336	\$ 405,142	\$ -	\$ (13,736,194)	\$ -	\$ (13,736,194)
Instruction	81,081,144	714,976	3,488,651	(76,877,517)	-	(76,877,517)
Pupil Transportation	8,741,177	-	-	(8,741,177)	-	(8,741,177)
Community Service	10,000	-	-	(10,000)	-	(10,000)
Employee Benefits	47,277,543	-	-	(47,277,543)	-	(47,277,543)
Debt Service - Interest	1,954,003	-	-	(1,954,003)	-	(1,954,003)
Depreciation - Unallocated (Includes Direct Expense of Various Functions and Programs)	8,200,121	-	-	(8,200,121)	-	(8,200,121)
School Lunch Program	3,267,245	3,077,159	174,431	(15,655)	-	(15,655)
Total Governmental Activities	<u>164,672,569</u>	<u>4,197,277</u>	<u>3,663,082</u>	<u>(156,812,210)</u>	<u>-</u>	<u>(156,812,210)</u>
Business-Type Activities:						
Transportation	58,905	62,807	-	-	3,902	3,902
Total Business-Type Activities	<u>58,905</u>	<u>62,807</u>	<u>-</u>	<u>-</u>	<u>3,902</u>	<u>3,902</u>
Total Primary Government	<u>\$ 164,731,474</u>	<u>\$ 4,260,084</u>	<u>\$ 3,663,082</u>	<u>\$ (156,812,210)</u>	<u>3,902</u>	<u>(156,808,308)</u>
General Revenues						
Real Property Taxes				101,514,867	-	101,514,867
Other Tax Items				14,166,688	-	14,166,688
Use of Money and Property				18,403	-	18,403
Sale of Property and Compensation for Loss				119,437	-	119,437
State Sources				43,263,747	-	43,263,747
Federal Sources				109,563	-	109,563
Miscellaneous				429,537	-	429,537
Total General Revenues				<u>159,622,242</u>	<u>-</u>	<u>159,622,242</u>
Change in Net Position				2,810,032	3,902	2,813,934
Total Net Position - Beginning of Year				<u>(3,892,780)</u>	<u>167,310</u>	<u>(3,725,470)</u>
Total Net Position - End of Year				<u>\$ (1,082,748)</u>	<u>\$ 171,212</u>	<u>\$ (911,536)</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Unrestricted Cash	\$ 13,443,229	\$ 7,419,727	\$ 20,862,956
Restricted Cash	20,846,367	2,469,531	23,315,898
Accounts Receivable	726,401	159,652	886,053
Prepaid Expenses	13,064	-	13,064
Due from Other Funds	6,584,779	1,200,751	7,785,530
Due from State and Federal	1,465,394	722,841	2,188,235
Due from Other Governments	1,246,899	-	1,246,899
Inventories	-	112,174	112,174
Total Assets	<u>\$ 44,326,133</u>	<u>\$ 12,084,676</u>	<u>\$ 56,410,809</u>
Liabilities:			
Accounts Payable	\$ 977,643	\$ 14,049	\$ 991,692
Accrued Liabilities	1,237,129	33,485	1,270,614
Bond Anticipation Notes	-	1,565,000	1,565,000
Due to Other Funds	1,238,765	5,792,715	7,031,480
Due to Other Governments	-	928	928
Due to Teachers' Retirement System	8,384,208	-	8,384,208
Due to Employees' Retirement System	1,220,122	-	1,220,122
Prepaid Revenue	-	136,564	136,564
Unearned Revenue	200,550	787,735	988,285
Total Liabilities	<u>13,258,417</u>	<u>8,330,476</u>	<u>21,588,893</u>
Fund Balance:			
Restricted for:			
Employee Benefits Accrued Liability	11,000,000	-	11,000,000
Debt	-	2,412,201	2,412,201
Repairs	-	3,642	3,642
Workers' Compensation	1,196,930	-	1,196,930
Retirement Contributions	4,092,256	-	4,092,256
Capital Outlay	1,500,000	-	1,500,000
Tax Certiorari	3,057,181	-	3,057,181
Non-Spendable:			
Inventories and Prepaid Expenses	13,064	112,174	125,238
Assigned for:			
General Support	456,251	1,036	457,287
Instruction	400,225	22,303	422,528
Pupil Transportation	598	-	598
Community Service	-	30,842	30,842
Employee Benefits	23,100	-	23,100
Capital Outlay	-	1,586,188	1,586,188
Unreserved:			
Designated for Subsequent Year's Expenditures	2,910,000	-	2,910,000
Undesignated	6,418,111	(414,186)	6,003,925
Total Fund Balance	<u>31,067,716</u>	<u>3,754,200</u>	<u>34,821,916</u>
Total Liabilities and Fund Balance	<u>\$ 44,326,133</u>	<u>\$ 12,084,676</u>	<u>\$ 56,410,809</u>

Amounts reported for government activities in the statement of net position are different because:

Total governmental fund balances per above	\$ 34,821,916
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	89,397,772
Long-term liabilities, including bonds payable, workers' compensation liability and postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(63,660,499)
Bond premiums, not due and payable in the current period and therefore are not reported in the funds full accrual accounting.	(1,521,700)
Cash held with fiscal agent from advanced refunding.	866,700
Interest payable at June 30, 2016 is reported in the District-wide statements under full accrual accounting.	(402,903)
Other postemployment benefit liability is recognized as a liability under full accrual accounting.	(92,403,494)
Net pension assets, net of deferred outflows, inflows and net liability	<u>31,819,460</u>
Net position of governmental activities	<u>\$ (1,082,748)</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Real Property Taxes	\$ 101,514,867	\$ -	\$ 101,514,867
Other Tax Items	14,166,688	-	14,166,688
Charges for Services	367,776	752,342	1,120,118
Use of Money and Property	14,428	3,975	18,403
Premium on Obligations Issued	-	1,521,700	1,521,700
Sale of Property and Compensation for Loss	119,437	-	119,437
State Sources	43,263,747	845,230	44,108,977
Federal Sources	109,563	3,619,678	3,729,241
Sales	-	2,275,333	2,275,333
Miscellaneous	354,307	75,230	429,537
	<u>159,910,813</u>	<u>9,093,488</u>	<u>169,004,301</u>
Total Revenues			
Expenditures:			
General Support	13,860,576	1,437,958	15,298,534
Instruction	77,193,691	3,887,453	81,081,144
Pupil Transportation	8,497,829	243,348	8,741,177
Community Services	10,000	-	10,000
Employee Benefits	43,216,183	987,512	44,203,695
Debt Service			
Principal	-	9,281,557	9,281,557
Interest	-	2,082,678	2,082,678
Other	-	866,700	866,700
Cost of Sales	-	1,329,540	1,329,540
Capital Outlay	-	3,630,632	3,630,632
	<u>142,778,279</u>	<u>23,747,378</u>	<u>166,525,657</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>17,132,534</u>	<u>(14,653,890)</u>	<u>2,478,644</u>
Other Financing Sources (Uses):			
Proceeds from Serial Bonds	-	988,365	988,365
Operating Transfers In	-	15,284,649	15,284,649
Operating Transfers Out	(15,264,136)	(20,513)	(15,284,649)
	<u>(15,264,136)</u>	<u>16,252,501</u>	<u>988,365</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	1,868,398	1,598,611	3,467,009
Fund Balance - Beginning of Year	<u>29,199,318</u>	<u>2,155,589</u>	<u>31,354,907</u>
Fund Balance - End of Year	<u>\$ 31,067,716</u>	<u>\$ 3,754,200</u>	<u>\$ 34,821,916</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016*

Net changes in fund balance - total governmental funds	\$ 3,467,009
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets.	3,775,885
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(8,200,121)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets.	9,281,557
Net loss on disposal of property, plant and equipment is not recognized in the governmental funds. However, for governmental activities, the net book value of the assets disposed of is reduced by the proceeds received.	(181,308)
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The decrease in accrued interest during the 2015-2016 year results in less expense.	128,675
Proceeds of serial bond principal is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net position assets.	(988,365)
Bond premium income of \$1,521,700, net of transfer to fiscal agent of surplus cash of \$866,700 is recognized in governmental funds but are reflected as cash with fiscal agent and bond premium is deferred and amortized under full accrual accounting.	(655,000)
Certain other postemployment benefits are recognized as an expense in the statement of activities under full accrual accounting.	(13,802,155)
Changes in compensated absences and workers' compensation liability are not reflected in governmental funds but are reflected in the statement of activities under full accrual accounting.	569,589
Changes in net pension costs are not reflected in governmental funds but are reflected in the statement of activities under full accrual accounting.	<u>9,414,266</u>
Change in net position - governmental activities	<u>\$ 2,810,032</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2016

ASSETS

Current Assets

Unrestricted Cash	\$	225,709
Other Receivables, net		<u>6,427</u>
Total Assets	\$	<u><u>232,136</u></u>

LIABILITIES

Current Liabilities

Due from Governmental Funds	\$	60,924
-----------------------------	----	--------

NET ASSETS

Unrestricted		<u>171,212</u>
Total	\$	<u><u>232,136</u></u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2016

REVENUES

Charges for Services \$ 62,807

Total Revenues 62,807

EXPENSES

Salaries, Wages, and Fringe Benefits 6,509

Materials and Supplies 52,396

Total Expenses 58,905

NET INCOME

3,902

Net Position - Beginning of Year 167,310

Net Position - End of Year \$ 171,212

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$	63,266
Unrestricted Cash - Beginning of Year		<u>162,443</u>
Unrestricted Cash - End of Year	\$	<u><u>225,709</u></u>

**RECONCILIATION OF NET INCOME FROM OPERATIONS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Income from Operations	\$	3,902
Adjustments to Reconcile Net Income from Operations to Net Cash Used by Operating Activities:		
Increase in Accounts Receivable		(1,560)
Increase in Interfund Payables		<u>60,924</u>
Net Cash Provided by Operating Activities	\$	<u><u>63,266</u></u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
 STATEMENT OF NET POSITION AND STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2016

	<u>Agency</u>	<u>Private-Purpose Trusts</u>
ASSETS		
Cash - Unrestricted	\$ 1,260,635	\$ -
Cash - Restricted	426,732	322,548
Investments - Restricted	-	23,607
Due from Other Funds	46,706	-
Other Assets	<u>12,224</u>	<u>-</u>
Total Assets	<u>\$ 1,746,297</u>	<u>\$ 346,155</u>
LIABILITIES		
Extraclassroom Activity Balances	\$ 437,435	\$ -
Due to Other Funds	732,208	7,625
Other Liabilities	<u>576,654</u>	<u>-</u>
Total Liabilities	<u>\$ 1,746,297</u>	<u>7,625</u>
NET POSITION		
Restricted for Scholarships		<u>\$ 338,530</u>

		<u>Private-Purpose Trusts</u>
ADDITIONS		
Gifts and Contributions		\$ 94,550
Investment Earnings		<u>76</u>
Total Additions		94,626
DEDUCTIONS		
Scholarships and Awards		<u>23,500</u>
Change in Net Position		71,126
Net Position - Beginning of Year		<u>267,404</u>
Net Position - End of Year		<u>\$ 338,530</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Shenendehowa Central School District at Clifton Park (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles are described below:

A. *Reporting Entity*

The reporting entity of the District is based upon criteria set forth by GASB Statement 61, The Financial Reporting Entity, an amendment to GASB Statements 14 and 39. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

The decision to include a potential component unit in the 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 view of an entity included in the District’s reporting entity as a component unit:

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at pages 75 through 82 of this document. The Extraclassroom Activity Funds are also reported in the District’s agency funds.

B. *Joint Venture*

The Shenendehowa Central School District at Clifton Park is one of 24 component school districts in the Capital Region Board of Cooperative Education Services (BOCES). 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.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, programs and capital costs. Each component school district’s share of administrative and capital cost is determined by resident public school districts enrollment as defined in Education Law, Section 1950(4)(b)(7).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture (Continued)

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2016, the District was billed \$5.1 million for BOCES administrative and program costs. In the same period, the District reported \$2.3 million in State Aid. Financial statements for Albany-Schoharie-Schenectady-Saratoga BOCES are available from the BOCES administrative office at 700 Watervliet-Shaker Road, Albany, NY 12205.

C. Basis of Presentation

District-wide statements

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

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

Fund financial statements

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

I. Governmental Fund Types

The District reports the following major governmental fund:

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

All remaining governmental funds are aggregated and reported as non-major funds:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund financial statements (Continued)

I. Governmental Fund Types (Continued)

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following funds:

a. Special Aid Fund

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

b. School Lunch Fund

Used to account for transactions of the District lunch and breakfast programs.

c. Community Service Fund

Used to account for the funds and transactions of the District's community education programs and facility use by outside users. The community education program fees charged to program participants are restricted for use by the program. The District's fee structure for both programs is designed to recover only the incremental costs of the programs.

Debt Service Fund: This fund is used to account for and report on the accumulation of resources to be used for redemption of general long-term indebtedness.

II. Proprietary Fund Types

Proprietary funds are used to account for ongoing organizations or activities which are similar to those often found in the private sector. The economic resources measurement focus is used in the determination of net income, financial position and changes in cash flows. The following proprietary fund is utilized:

Enterprise Fund

Regional Transportation Fund - Used to account for the cost of services rendered which are financed through charges to those purchasing the services. Services, which are provided mainly to other school districts and municipalities, include the sale of fuel and field trips. Costs recovered are direct costs, incremental costs and certain indirect costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

III. Fiduciary Fund Types

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

D. Basis of Accounting/Measurement Focus

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 the liabilities are incurred, regardless of when the related cash transactions take 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 in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, postemployment benefits and compensated absences, which are recognized as expenditures to the extent they have matured or been paid. 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. Unearned Revenues and Deferred Outflows and Inflows of Resources

Unearned revenue arises when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the District has legal claim to the resources, the liability is removed and revenue is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Unearned Revenues and Deferred Outflows and Inflows of Resources (Continued)

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. There are generally three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the District-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 proportionate share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separation 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 inflows of resources (revenue) until that time. There are generally two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue. 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 proportionate share of total contributions to the pension system not included in pension expense.

F. Property Tax

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, 2015 and became a lien in November 2015. Taxes were collected during the period September 1, 2015, to November 1, 2015.

II. Enforcement

Uncollected real property taxes are subsequently enforced by the County of Saratoga in which the District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County of Saratoga to the District no later than the forthcoming April 1.

G. Cash and Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and Investments (Continued)

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

H. Accounts Receivable

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

I. Inventory

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

J. Interfund Transactions

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

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (business 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 business activities and 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 4.A.II. for a detailed disclosure by fund to interfund receivables, payables, expenditures and revenues activity.

K. Equity Classifications

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Equity Classifications (Continued)

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 does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund statements: The District implemented GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund and the prepaid expenses in the general fund at June 30, 2016.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District Board and contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements such as the award of a bid by the District Board. The District has no committed fund balances as of June 30, 2016.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the District or designated by the District Board for ensuing year's budget.

The Administration's accounting software utilizes encumbrance-based accounting. As of June 30, 2016 there was a cumulative \$2,520,543 in non-restricted encumbrances of which \$880,174 and \$1,640,369 are General Fund and Non-major Fund Assigned Fund Balance, respectively.

Assigned for Subsequent Year's Expenditures - Portions of fund equity are segregated for future use and are, therefore, not available for appropriation or expenditure. Reserves of unassigned fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use.

NYS Real Property Tax Law 1318 restricts the unreserved fund balance of the general fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

Restricted fund balance includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Equity Classifications (Continued)

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 by adjusting journal entries.

Fund balance restrictions are created to satisfy legal restrictions or plan for future expenditures. The following restricted funds are available to school districts within the State of New York. These restricted funds are established through Board action or voter approval and a separate identity must be maintained for each restriction. Earnings on the invested resources become part of the respective restricted funds; however, separate bank accounts are not necessary for each restricted fund. The following is a description of the restrictions utilized by the District.

I. Workers' Compensation Reserve

Authorized by General Municipal Law §6-j, the District is self-insured for workers' compensation on a cost-reimbursement basis. This reserve is accounted for in the General Fund.

II. Reserve for Debt

Authorized by with General Municipal Law §6-l, this reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

III. Reserve for Tax Certiorari

Authorized by Education Law §3651.1-a, this reserve is used to establish a reserve fund for tax certioraris and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgements 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.

IV. Reserve for Repairs

Authorized by General Municipal Law §6-d, the Repair Reserve is 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 Capital Projects Fund.

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Equity Classifications (Continued)

V. Reserve for Retirement Contributions

Authorized by with General Municipal Law §6-r, the Retirement Contribution Reserve is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund.

VI. Employee Benefit Accrued Liability Reserve

Authorized by General Municipal Law §6-p, the Employee Benefit Accrued Liability Reserve is used to pay for any accrued employee benefit due an employee on termination of the employee's service. The reserve is created by resolution of the Board of Education. The reserve is accounted for in the General Fund.

L. Postemployment Benefits

In addition to providing the retirement benefits described in Note 4.BI., the District provides postemployment health and drug insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups. Substantially, all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently 715 retirees meet the health insurance eligibility requirements. The District pays, depending on the applicable contract, up to 91% of the cost of premiums to an insurance company which provides health care and drug insurance. The District recognizes the cost of providing benefits for fiscal year 2016 by recording \$3,258,740, its share of health and drug insurance premiums for currently enrolled retirees, as an expenditure in fiscal year 2016. See Note 4 BII for additional information on the implementation of GASB Statement 45 in the District-wide financial statements.

M. Vested Employee Benefits

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2003. For assets acquired prior to June 30, 2003, estimated historical costs were used based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 500	Straight Line	50 years
Building Improvements	\$ 500	Straight Line	20 years
Site Improvements	\$ 500	Straight Line	20 years
Furniture and Equipment	\$ 500	Straight Line	5-20 years

O. Self-Insured Workers' Compensation, Dental and Prescription Drug Insurance Plans

I. Workers' Compensation Plan

The District is self-insured for workers' compensation benefits on a cost-reimbursement basis. Under the program, the District is responsible for claim payments. The Workers' Compensation Reserve restricted for future claim payments at June 30, 2016, was \$1,196,930.

II. Dental and Prescription Drug Insurance Plans

The District provides self-insured dental and prescription drug insurance benefit plans for its active employees and requires employees to contribute towards its cost. There is no provision in state law to have dental or prescription drug insurance reserves.

III. Method of Calculating Expense of the Plans

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2016, have been recorded as accounts payable in the General Fund. Dental claims were not analyzed or quantified in prior years.

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

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Self-Insured Workers' Compensation, Dental and Prescription Drug Insurance Plans (Continued)

III. Method of Calculating Expense of the Plans (Continued)

The District establishes workers compensation claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claim liabilities are charged or credited to the liability in the periods in which they are made.

As discussed above, the District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the District during the past two years:

	<u>2016</u>			<u>2015</u>		
	<u>Workers'</u> <u>Comp</u>	<u>Dental</u>	<u>Prescription</u> <u>Drug</u>	<u>Workers'</u> <u>Comp</u>	<u>Dental</u>	<u>Prescription</u> <u>Drug</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 2,141,836	\$ 60,200	\$ -	\$1,748,577	\$ 65,900	\$ 103,600
Incurred claims and claim adjustment expenses:						
Provision for incurred claims expense for events of the current year	147,317	927,801	5,780,756	1,147,577	877,812	5,012,718
Increase in provision for incurred events of prior years	<u>28,703</u>	<u>49,708</u>	<u>-</u>	<u>17,704</u>	<u>60,200</u>	<u>-</u>
Total incurred claims and claim adjustment expenses	<u>176,020</u>	<u>977,509</u>	<u>5,780,756</u>	<u>1,165,281</u>	<u>938,012</u>	<u>5,012,718</u>
Payments made for claims during the current year	<u>(554,959)</u>	<u>(975,409)</u>	<u>(5,780,756)</u>	<u>(772,022)</u>	<u>(943,712)</u>	<u>(5,116,318)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 1,762,897</u>	<u>\$ 62,300</u>	<u>\$ -</u>	<u>\$2,141,836</u>	<u>\$ 60,200</u>	<u>\$ -</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Estimates

The preparation of financial statements in accordance 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 disclosures 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, postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

Q. 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.

R. New Accounting Standards

The District has adopted and implemented GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the year ended June 30, 2016.

The District has also adopted and implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ended June 30, 2016.

S. 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*, established new accounting and financial reporting requirements for OPEB plans.

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

T. Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through September 26, 2016, the date the financial statements were available to be issued. No such events or transactions were identified.

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

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

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

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

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

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

i) Long-term revenue and expense differences

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

ii) Capital related differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on 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 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 fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

The costs of building and acquiring capital assets (land, buildings and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED)

Original cost of capital assets	\$ 221,015,406
Accumulated depreciation	<u>(131,617,634)</u>
Capital assets, net	<u>\$ 89,397,772</u>
Other assets include the net pension asset	<u>\$ 38,567,739</u>
Deferred outflows of resources, pensions	<u>\$ 13,420,331</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds payable	\$ 51,703,365
Bond premiums	\$ 1,521,700
Compensated absences payable	\$ 11,326,547
Postemployment benefits payable	\$ 92,403,494
Workers' compensation liability	\$ 630,587
Deferred inflows of resources, pensions	\$ 6,916,488
Net pension liability	\$ 13,252,122

In the Statement of Activities, certain operating expenses (compensated absences and post-retirement benefits) are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, post-retirement contributions made of \$3,258,740 were less than the amounts incurred of \$17,060,895. Also, compensated absences (vacations used) were less than the amounts incurred by \$139,374, while workers' compensation costs paid exceeded the amounts incurred by \$708,963.

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$8,200,121 and the net loss on assets disposals of \$181,308 were more than capital expenditures of \$3,775,885 in the current year.

Pension expense under GASB 68 results in an expense of \$2,153,157 in the Statement of Activities.

Repayments of bond principal of \$9,281,557 are an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities. In addition, premiums earned on bond issuances of \$1,521,700 and the \$988,365 proceeds of bonding are revenue in the governmental funds but are reflected as liabilities under full accrual accounting. The transfer to fiscal agent of \$866,700 on the bond issuance is an expense in the governmental funds but is an asset in the statement of net position.

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The lower interest reported in the Statement of Activities is the result of accrued interest on bonds payable decreasing by \$128,675.

3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Deficit Fund Balances

Capital Projects Funds

The following capital project fund has a deficit fund balance as noted due to expending funds prior to obtaining permanent financing for the capital projects:

- a. \$10M Project - \$526,554

B. Budgetary Data

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the general fund.
- b. The proposed appropriation budget for the general fund is approved by the voters within the District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need which exists which was not determined at the time the budget was adopted.
- e. Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The District is not required to formally adopt annual budgets for its special revenue funds or debt service fund. Accordingly, although the school lunch fund, community services fund and the debt service fund do have a management approved budget and each special aid fund project follows an approved project budget, no statement of budget and actual revenues and expenditures is presented for the special revenue funds or the debt service fund.

II. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing overexpenditure of established appropriations. Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

1. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. Total bank balances at June 30, 2016, per the bank were \$49,093,663. The bank balance is fully insured by the FDIC or FSLIC, or collateralized by securities held by a third party in the District's name.

2. Investments

Investments are stated at fair value and are categorized as either (1) insured or registered, or investments held by the District or the District's agent in the District's name, (2) uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the District's name.

<u>Fund</u>	<u>Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trusts	\$ <u>23,607</u>	Certificates of Deposit	(1)

3. Restricted Cash

General Fund

Restricted cash at June 30, 2016, consists of \$3,057,181 restricted for tax certiorari claims, \$1,196,930 restricted for workers' compensation insurance, \$4,092,256 for retirement contributions, \$11,000,000 for employee benefits accrued liability reserve and \$1,500,000 for capital outlay.

Debt Service

Restricted cash at June 30, 2016, consists of \$2,465,888 restricted for debt service.

Capital Projects

Restricted cash at June 30, 2016, consists of \$3,643 restricted for capital project expenditures.

Fiduciary

Restricted cash and investments at June 30, 2016, consists of \$426,732 restricted for extraclassroom activity funds and \$346,155 restricted for scholarships.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

II. Interfund Receivables and Payables

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

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 6,584,779	\$ 1,238,765	\$ -	\$ 15,264,136
Special Aid Fund	-	4,080,482	341,585	-
School Lunch Fund	-	37,157	-	-
Community Services Fund	-	55,687	-	-
Debt Service Fund	351	54,038	10,995,513	-
Capital Funds	<u>1,200,401</u>	<u>1,565,351</u>	<u>3,947,551</u>	<u>20,513</u>
Total Governmental Activities	7,785,531	7,031,480	15,284,649	15,284,649
Fiduciary Funds	46,706	739,833	-	-
Enterprise Fund	<u>-</u>	<u>60,924</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,832,237</u>	<u>\$ 7,832,237</u>	<u>\$ 15,284,649</u>	<u>\$ 15,284,649</u>

III. Accounts Receivable

Accounts receivable at June 30, 2016, consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Tuition and miscellaneous	\$ 726,401
Community Service	Use of facilities fees	151,636
School Lunch	Miscellaneous	<u>8,016</u>
		<u>\$ 886,053</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

IV. Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Prior Year Adjustments	Additions	Retirements/ Reclassification	Ending Balance
Governmental Activities:					
Capital Assets that are not depreciated:					
Land	\$ 913,494	\$ -	\$ -	\$ -	\$ 913,494
Construction in process	<u>6,762,168</u>	<u>-</u>	<u>1,344,780</u>	<u>(6,257,478)</u>	<u>1,849,470</u>
Total nondepreciable capital assets	<u>7,675,662</u>	<u>-</u>	<u>1,344,780</u>	<u>(6,257,478)</u>	<u>2,762,964</u>
Capital assets that are depreciated:					
Buildings	181,287,809	-	6,249,498	-	187,537,307
Furniture and equipment	<u>29,626,917</u>	<u>(181,726)</u>	<u>2,439,086</u>	<u>(1,169,142)</u>	<u>30,715,135</u>
Total depreciable historical cost	<u>210,914,726</u>	<u>(181,726)</u>	<u>8,688,584</u>	<u>(1,169,142)</u>	<u>218,252,442</u>
Less accumulated depreciation:					
Buildings	103,136,482	-	6,396,290	-	109,532,772
Furniture and equipment	<u>21,450,591</u>	<u>(418)</u>	<u>1,798,812</u>	<u>(1,164,123)</u>	<u>22,084,862</u>
Total accumulated depreciation	<u>124,587,073</u>	<u>(418)</u>	<u>8,195,102</u>	<u>(1,164,123)</u>	<u>131,617,634</u>
Total depreciable capital assets, net	<u>86,327,653</u>	<u>(181,308)</u>	<u>493,482</u>	<u>(5,019)</u>	<u>86,634,808</u>
Total capital assets, net	<u>\$94,003,315</u>	<u>\$ (181,308)</u>	<u>\$ 1,838,262</u>	<u>\$ (6,262,497)</u>	<u>\$ 89,397,772</u>

B. Liabilities

I. Pension Plans

Plan Description

General Information

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

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Teachers' Retirement System (TRS)

The NYS TRS is administered by the New York State Teachers' Retirement Board. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. 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 System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund, 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 (the "Comptroller") serves as sole trustee and administrative head of the System. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Alfred E. Smith State Office Building, Albany, NY 12244, or by referring to www.osc.state.ny.us/retire/publications/index.php.

TRS Contributions

Pursuant to Article II of the New York State Education Law, employers are required to contribute at an actuarially determined rate applicable to member salaries. The rate is adopted annually by the Retirement Board. The actuarially determined contribution rate applicable to 2014-15 member salaries was 17.53%. The System is noncontributory for Tier 1 and 2 members. Tier 3 and 4 employees who joined the System after July 27, 1976, contribute 3% of their salary for the first ten years of membership. Tier 5 members who joined on or after January 1, 2010 contribute 3.5% of their salary for their entire length of service. Tier 6 members, who joined on or after April 1, 2012, are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

ERS Contributions

The System is noncontributory except for employees who joined the System after July 27, 1976 who contribute 3% of their salary, for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for their entire length of service.

For the New York State and Local Employees' Retirement System, 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.

Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	<u>ERS</u>	<u>TRS</u>
2015-2016	\$ 3,733,203	\$ 7,562,164
2014-2015	\$ 4,247,591	\$ 9,895,705
2013-2014	\$ 4,265,530	\$ 8,910,729

The District contributions made to the System were equal to 100% of the contributions required by each year.

Chapter 260 of the laws of 2014 of the State of New York allows local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ending March 31, 2005 through 2008. Chapter 57 of the laws of 2010 of the State of New York allows local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ending March 31, 2011 and forward.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. The District has not bonded or amortized any portion of their retirement obligations.

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

At June 30, 2016, the District reported a net pension asset of \$38,567,739 (TRS) and a net pension liability of \$13,252,122 (ERS) for its proportionate share of the net pension asset or liability. The net pension asset (TRS) was measured as of June 30, 2015, and the net pension liability (ERS) was measured as of March 31, 2016. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of those dates. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

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

At June 30, 2016, the District's proportion was .371314% for TRS and .0825663% for ERS.

For the year ended June 30, 2016, the District recognized a recovery of pension expense of \$(2,793,541) for TRS and \$4,946,698 for ERS.

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

	<u>TRS</u>	<u>ERS</u>	<u>Total Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 66,966	\$ 66,966
Changes of Assumptions	-	3,533,941	3,533,941
Net difference between projected and actual earnings on pension plan investments	-	7,861,886	7,861,886
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	737,416	737,416
Contributions subsequent to the measurement date	-	1,220,122	1,220,122
	<u>\$ -</u>	<u>\$ 13,420,331</u>	<u>\$ 13,420,331</u>

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

	<u>TRS</u>	<u>ERS</u>	<u>Total Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,068,877	\$ 1,570,818	\$ 2,639,695
Net difference between projected and actual earnings on pension plan investments	12,191,463	-	12,191,463
Changes in proportion and differences between employer contributions and proportionate share of contributions	100,250	9,540	109,790
Contributions subsequent to the measurement date	(8,024,460)	-	(8,024,460)
	<u>\$ 5,336,130</u>	<u>\$ 1,580,358</u>	<u>\$ 6,916,488</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

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

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30, 2017	\$ (4,930,116)
June 30, 2018	(2,208,068)
June 30, 2019	(2,208,068)
June 30, 2020	4,736,721
June 30, 2021	2,309,972
Thereafter	(441,180)
	<u>\$ (2,740,739)</u>

Covered Payroll

	<u>TRS</u>	<u>ERS</u>
Covered Payroll	\$ <u>60,907,383</u>	\$ <u>23,776,631</u>

TRS Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation	3.0%
Projected salary increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

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

Projected COLAs	1.625% compounded annually
Investment rate of return	8.0% compounded annually, net of pension plan investment expense, including inflation

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA.

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

TRS Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of returns (expected return, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

ERS Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2015 valuation were a follows:

Interest rate	7.0%
Salary increase	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period August 1, 2010 - March 31, 2015.

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

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Long-Term Expected Real Rate of Return

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2015 for TRS and March 31, 2016 for ERS.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	\$ 7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

Discount Rate

The discount rate used to calculate the total pension liability was 8% for TRS and 7% ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 8 and 7 percent, as well as what the District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<u>TRS</u>			
Employer's proportionate Share of the net pension asset (liability)	\$ <u>(2,630,817)</u>	\$ <u>38,567,739</u>	\$ <u>7,370,457</u>

ERS

Employer's proportionate share of the net pension liability (asset)	\$ <u>29,882,572</u>	\$ <u>13,252,122</u>	\$ <u>(799,898)</u>
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Pension Plan Fiduciary Net Position

The components of the net pension asset (TRS) and liability (ERS) of the employer as of June 30, 2015 and March 31, 2016, respectively, were as follows (in thousands):

	<u>TRS</u>	<u>ERS</u>
Employers' total pension liability	\$ (99,332,104)	\$ (202,651,271)
Fiduciary net position	<u>109,718,917</u>	<u>183,640,205</u>
Employers' net pension asset (liability)	\$ <u>10,386,813</u>	\$ <u>(19,011,066)</u>
 Ratio of fiduciary net position to the employers' total pension liability	 <u>110.46%</u>	 <u>90.6%</u>

Restatement of Net Position

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflows of resources, liability and deferred inflows of resources related to the Institute's participation in the New York State Teachers' and Employees' retirement systems. For the fiscal year ended June 30, 2015, the deferred outflows of resources for contributions made subsequent to the measurement date was reported as zero when it should have been \$11,279,651 due to the misinterpretation of GASB No. 71. As a result, the net position at June 30, 2015 has been restated to increase net assets by \$11,279,651.

II. Other Postemployment Benefits

The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This required the District to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Postemployment Benefits (Continued)

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 fund level financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$3,258,740 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2014 which indicates that the total liability for other postemployment benefits is \$78,601,339, which is reflected in the Statement of Net Position.

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

Annual OPEB Cost and Net OPEB Obligation: The District’s 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:

Annual required contribution	\$ 16,074,809
Interest on net OPEB obligation	3,930,067
Adjustment to annual required contribution (ARC)	<u>(2,943,981)</u>
Annual OPEB cost (expense)	17,060,895
Contributions made including implicit subsidy	<u>(3,258,740)</u>
Increase in net OPEB obligations	13,802,155
Net OPEB obligation - beginning of year	<u>78,601,339</u>
 Net OPEB obligation - end of year	 <u><u>\$ 92,403,494</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 17,060,895	19.1%	\$ 92,403,494
6/30/15	\$ 16,002,716	19.0%	\$ 78,601,339
6/30/14	\$ 14,879,467	22.8%	\$ 65,638,420

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Postemployment Benefits (Continued)

Funded Status and Funding Progress: As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$176,076,131, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$176,076,131. The covered payroll (annual payroll of active employees covered by the plan) was \$82,248,379, and the ratio of the UAAL to the covered payroll was 214.1%. Actuarial valuations of an ongoing plan involves 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.

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, 2015 actuarial valuation, the Getzen Model was used. The actuarial assumptions included a 5% investment rate of return and an annual healthcare cost trend rate of 5% , which was calculated based upon the Getzen Model. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 23 years.

III. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes are classified as part of the Capital Projects Fund.

State law requires that bond anticipation notes issued for capital purposes either be converted to long-term financing or paid in full within five years after the original issue date. The District borrowed \$1,565,000 under bond anticipation notes during the year ended June 30, 2016.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

1. Short-Term Debt (Continued)

Interest on short-term debt in the District-wide financial statements for the year was composed of:

Interest paid in governmental funds	\$ 54,038
Plus interest accrued in the current year	<u>268</u>
Total expense	<u>\$ 54,306</u>

2. Long-Term Debt

a. Serial Bonds

The District borrows money in order to acquire or construct buildings, improvements and buses. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District.

During the current year, the District recognized \$2,028,640 of expenditures in the fund financial statements for long-term debt interest on serial bonds.

Interest on long-term debt in the District-wide financial statements for the year was composed of:

Interest paid	\$ 2,028,640
Less interest accrued in the prior year	(531,578)
Plus interest accrued in the current year	<u>402,635</u>
Total expense	<u>\$ 1,899,697</u>

b. Other Long-Term Debt

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

Compensated Absences - Represents the value of earned and unused portion of the liability for employees' vacation and sick pay.

Workers' Compensation Liability - Represents the unbilled and noncurrent portion of workers' compensation claims to be paid in future years.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

3. Changes

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

	Balance			Balance
	July 1	Additions	Deletions	June 30
Serial Bonds	\$ 59,996,557	\$ 10,948,365	\$ 19,241,557	\$ 51,703,365
Bond Premium	-	1,521,700	-	1,521,700
Compensated Absences	11,187,173	139,374	-	11,326,547
Workers' Compensation Liability	1,339,550	-	708,963	630,587
Other Postemployment Benefits	78,601,339	17,060,895	3,258,740	92,403,494
Total	<u>\$ 151,124,619</u>	<u>\$ 29,670,334</u>	<u>\$ 23,209,260</u>	<u>\$ 157,585,693</u>

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

\$10,948,365 in new serial bonds were issued during the year, of which \$9,960,000 were issued to refund existing bonds resulting in a net new borrowing of \$988,365.

4. Maturity

The following is a summary of indebtedness:

Description of Issue	Original Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2016
Bonds:				
Shatekon	2007	2017	2.00%	\$ 825,000
Middle School , Shatekon and Transportation	2009	2027	3.09%	9,230,000
Multiple Projects	2011	2025	4.00%	5,800,000
Buses (7/29/11)	2011	2016	4.00%	395,000
HSE, HSW and DO Refunding B	2011	2024	2.81%	9,655,000
HSE, HSW and DO Refunding A	2011	2022	4.33%	610,000
Shenet, Science Rooms	2012	2021	2.94%	5,420,000
Buses (8/8/12)	2012	2017	4.13%	810,000
Series E Refunding	2012	2019	3.08%	1,705,000
Buses (8/7/13) - 2013 Issue Date	2013	2018	3.00%	1,140,000
Buses DTC	2014	2019	2.00%	1,500,000
Refunding \$8.8M/Skano-Tesago Roof	2015	2021	2.99%	3,715,000
Refunding of Shatekon	2015	2027	4.28%	9,910,000
Buses DTC	2015	2020	1.70%	988,365
Total Bonds				<u>\$ 51,703,365</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

4. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

4. Maturity (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-2017	\$ 8,838,365	\$ 1,824,497	\$ 10,662,862
2017-2018	7,880,000	1,570,320	9,450,320
2018-2019	7,655,000	1,334,591	8,989,591
2020-2024	6,875,000	1,070,971	7,945,971
2025-2029	16,870,000	2,438,875	19,308,875
2026-2030	3,585,000	186,750	3,771,750
Total	<u>\$ 51,703,365</u>	<u>\$ 8,426,004</u>	<u>\$ 60,129,369</u>

5. Constitutional Debt Limit

The constitution of the State of New York limits the amounts of indebtedness which may be issued by the District. The District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2016, the District has exhausted 11.04% of its limit.

5. COMMITMENTS AND CONTINGENCIES

A. Lease Commitments and Leased Assets

The District leases warehouse space under two operating leases and equipment from BOCES. The maximum future non-cancelable operating lease payments are as follows:

Year Ending June 30,

2016	\$ 647,686
2017	\$ 660,427
2018	\$ 593,041
2019	\$ 502,481
2020	\$ 384,294
2021	\$ 32,181

Rent expense under the terms of these leases for the year ended June 30, 2016 amounted to approximately \$616,845.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, District management believes such disallowances, if any, would not be material.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

5. COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Litigation

The District is party to various legal proceedings and other claims incidental to the ordinary course of its operations. The District is also regularly involved with certiorari actions brought by real property owners to have their assessments reduced. Liabilities, if any, are recorded when they become fixed or determinable in amount.

D. Collective Bargaining Units

Shenendehowa Central School District at Clifton Park employees are represented by collective bargaining agents. Those agents which represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
School Alliance of Substitutes in Education	June 30, 2017
CSEA, Local 1000, AFSCME, AFL - C10	June 30, 2016
Shenendehowa Administrators' Association	June 30, 2017
Shenendehowa Teachers' Association	June 30, 2018
Shenendehowa United Supervisors' Association	June 30, 2018

6. ADDITIONAL DISCLOSURES

A. Unreserved Fund Balance Designated for Subsequent Years Expenditures

This amount is broken out as follows:

Appropriated fund balance used for levy of taxes, including appropriated reserves	<u>\$ 2,910,000</u>
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B. Restricted Fund Balances

Restricted fund balances consist of the following:

Employee Benefits Accrued Liability	\$ 11,000,000
Debt	2,412,201
Repairs	3,642
Workers' Compensation	1,196,930
Retirement Contributions	4,092,256
Capital Outlay	1,500,000
Tax Certiorari	<u>3,057,181</u>
	<u>\$ 23,262,210</u>

REQUIRED SUPPLEMENTARY INFORMATION

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES COMPARED TO BUDGET - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Adopted Budget</u>	<u>Prior Year Encumbrances</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Over (Under) Revised Budget</u>
Revenues						
Local Sources						
Real Property Taxes	\$ 101,527,160	\$ -	\$ 101,527,160	\$ 101,527,160	\$ 101,514,867	\$ (12,293)
Other Tax Items	14,284,076	-	14,284,076	14,284,076	14,166,688	(117,388)
Charges for Services	177,500	-	177,500	177,500	367,776	190,276
Use of Money and Property	17,000	-	17,000	17,000	14,428	(2,572)
Sale of Property and Compensation for Loss	55,475	-	55,475	55,475	119,437	63,962
Miscellaneous	<u>462,700</u>	<u>-</u>	<u>462,700</u>	<u>462,700</u>	<u>354,307</u>	<u>(108,393)</u>
Total Local Sources	116,523,911	-	116,523,911	116,523,911	116,537,503	13,592
State Sources	42,783,912	-	42,783,912	42,783,912	43,263,747	479,835
Federal Sources	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>175,000</u>	<u>109,563</u>	<u>(65,437)</u>
Total Revenues	159,482,823	-	159,482,823	159,482,823	159,910,813	427,990
Other Financing Resources						
Appropriated Reserves	1,410,000	-	1,410,000	1,609,415	-	-
Appropriated Fund Balance	<u>2,000,000</u>	<u>954,420</u>	<u>2,954,420</u>	<u>2,954,420</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>\$ 162,892,823</u>	<u>\$ 954,420</u>	<u>\$ 163,847,243</u>	<u>\$ 164,046,658</u>	<u>\$ 159,910,813</u>	<u>\$ 427,990</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES COMPARED TO BUDGET - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Adopted Budget</u>	<u>Prior Year Encumbrances</u>	<u>Adjusted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Year-end Encumbrances</u>	<u>Revised Budget Variance with Actual and Encumbrances</u>
EXPENDITURES							
General Support:							
Board of Education	\$ 49,300	\$ -	\$ 49,300	\$ 55,520	\$ 48,722	\$ -	\$ 6,798
Central Administration	409,967	-	409,967	411,305	409,464	-	1,841
Finance	1,112,032	40,000	1,152,032	1,137,972	1,000,722	44,176	93,074
Staff	823,211	-	823,211	829,084	772,148	4,600	52,336
Central Services	11,529,343	394,165	11,923,508	10,899,726	9,611,305	407,475	880,946
Special Items	1,838,531	-	1,838,531	2,037,946	2,018,215	-	19,731
Total General Support	<u>15,762,384</u>	<u>434,165</u>	<u>16,196,549</u>	<u>15,371,553</u>	<u>13,860,576</u>	<u>456,251</u>	<u>1,054,726</u>
Instruction							
Instruction - Administration and Improvement	5,799,138	6,285	5,805,423	5,782,726	5,653,132	1,801	127,793
Teaching - Regular School	49,369,305	416,911	49,786,216	49,043,833	46,914,680	297,028	1,832,125
Programs for Students with Disabilities	13,598,017	11,072	13,609,089	13,573,346	13,024,456	547	548,343
Teaching - Special Schools	354,050	-	354,050	385,202	294,386	-	90,816
Instructional Media	3,038,400	13,934	3,052,334	4,365,621	4,114,692	35,366	215,563
Pupil Services	7,179,828	48,953	7,228,781	7,392,749	7,192,345	65,483	134,921
Total Instruction	<u>79,338,738</u>	<u>497,155</u>	<u>79,835,893</u>	<u>80,543,477</u>	<u>77,193,691</u>	<u>400,225</u>	<u>2,949,561</u>
Other							
Pupil Transportation	8,809,045	-	8,809,045	8,804,321	8,497,829	598	305,894
Community Service	17,650	-	17,650	17,650	10,000	-	7,650
Employee Benefits	46,940,006	23,100	46,963,106	44,037,106	43,216,183	23,100	797,823
Total Other	<u>55,766,701</u>	<u>23,100</u>	<u>55,789,801</u>	<u>52,859,077</u>	<u>51,724,012</u>	<u>23,698</u>	<u>1,111,367</u>
Total Expenditures	150,867,823	954,420	151,822,243	148,774,107	142,778,279	880,174	5,115,654
OTHER USES							
Interfund Transfers	12,025,000	-	12,025,000	15,272,551	15,264,136	-	8,415
Total Expenditures and Other Uses	<u>\$ 162,892,823</u>	<u>\$ 954,420</u>	<u>\$ 163,847,243</u>	<u>\$ 164,046,658</u>	<u>158,042,415</u>	<u>\$ 880,174</u>	<u>\$ 5,124,069</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses					<u>\$ 1,868,398</u>		

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLANS
 FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
July 1, 2015	\$ -	\$ 176,076,131	\$ 176,076,131	0%	\$ 82,248,379	214.1%
July 1, 2014	\$ -	\$ 161,525,566	\$ 161,525,566	0%	\$ 80,327,738	201.1%
July 1, 2013	\$ -	\$ 153,501,107	\$ 153,501,107	0%	\$ 79,752,105	192.5%
July 1, 2012	\$ -	\$ 141,304,648	\$ 141,304,648	0%	\$ 77,167,316	183.1%
July 1, 2011	\$ -	\$ 153,946,777	\$ 153,946,777	0%	\$ 74,057,952	207.9%
July 1, 2010	\$ -	\$ 140,333,629	\$ 140,333,629	0%	\$ 80,906,059	173.5%

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSETS/LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>TRS</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportionate share of net pension assets	\$ 38,567,739	\$ 41,053,787
Covered payroll	\$ 60,907,383	\$ 55,654,530
Proportionate share of net pension asset as a percentage of covered payroll	63.3%	73.8%
Plan fiduciary net position as a percentage of total pension asset	110.46%	111.48%

<u>ERS</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Proportionate share of net pension liability	\$ 13,252,122	\$ 2,804,305
Covered payroll	\$ 23,776,631	\$ 23,502,230
Proportionate share of net pension liability as a percentage of covered payroll	55.7%	11.9%
Plan fiduciary net position as a percentage of total pension liability	90.6%	97.9%

Note: Information for the years prior to implementation of GASB 68 is unavailable and will be completed each year going forward as it becomes available.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS

FOR THE YEAR ENDED JUNE 30, 2016

<u>TRS</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,562,164	\$ 9,895,705
Contributions in relation to the contractually required contribution	<u>7,562,164</u>	<u>9,895,705</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 60,907,383	\$ 55,654,530
Contributions as a percentage of covered-employee payroll	12.4%	17.8%

<u>ERS</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,733,203	\$ 4,247,591
Contributions in relation to the contractually required contribution	<u>3,733,203</u>	<u>4,247,591</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 23,776,631	\$ 23,502,230
Contributions as a percentage of covered-employee payroll	16.1%	18.1%

Note: Information for the years prior to implementation of GASB 68 is unavailable and will be completed each year going forward as it becomes available.

OTHER SUPPLEMENTAL INFORMATION

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Debt Service</u>	<u>Non-Major Capital Projects</u>	<u>Special Aid Fund</u>	<u>School Lunch</u>	<u>Community Service</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS						
Unrestricted Cash	\$ -	\$ 2,715,210	\$ 3,987,541	\$ 290,478	\$ 426,498	\$ 7,419,727
Restricted Cash	2,465,888	3,643	-	-	-	2,469,531
Accounts Receivable	-	-	-	8,016	151,636	159,652
Inventory	-	-	-	112,174	-	112,174
Due from Other Funds	351	1,200,400	-	-	-	1,200,751
Due from State and Federal	-	-	667,861	54,980	-	722,841
Total Assets	<u>\$ 2,466,239</u>	<u>\$ 3,919,253</u>	<u>\$ 4,655,402</u>	<u>\$ 465,648</u>	<u>\$ 578,134</u>	<u>\$ 12,084,676</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ 5,406	\$ 8,643	\$ -	\$ 14,049
Bond Anticipation Notes	-	1,565,000	-	-	-	1,565,000
Accrued Liabilities	-	-	8,665	-	24,820	33,485
Due to Other Funds	54,038	1,565,351	4,080,482	37,157	55,687	5,792,715
Due to Other Governments	-	-	-	928	-	928
Prepaid Revenue	-	-	-	136,564	-	136,564
Unearned Revenue	-	-	560,845	-	226,890	787,735
Total Liabilities	<u>54,038</u>	<u>3,130,351</u>	<u>4,655,398</u>	<u>183,292</u>	<u>307,397</u>	<u>8,330,476</u>
FUND BALANCE						
Nonspendable for Inventories	-	-	-	112,174	-	112,174
Assigned for Encumbrances	-	1,586,188	22,303	1,036	30,842	1,640,369
Reserved for Debt	2,412,201	-	-	-	-	2,412,201
Reserved for Repairs	-	3,642	-	-	-	3,642
Unassigned - Undesignated Fund Balance (Deficit)	-	(800,928)	(22,299)	169,146	239,895	(414,186)
Total Fund Balance	<u>2,412,201</u>	<u>788,902</u>	<u>4</u>	<u>282,356</u>	<u>270,737</u>	<u>3,754,200</u>
Total Liabilities and Fund Balance	<u>\$ 2,466,239</u>	<u>\$ 3,919,253</u>	<u>\$ 4,655,402</u>	<u>\$ 465,648</u>	<u>\$ 578,134</u>	<u>\$ 12,084,676</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Debt Service</u>	<u>Non-Major Capital Projects</u>	<u>Special Aid Fund</u>	<u>School Lunch</u>	<u>Community Services</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES						
Use of Money and Property	\$ 3,933	\$ -	\$ -	\$ 42	\$ -	\$ 3,975
Changes for Services	-	-	-	-	752,342	752,342
Miscellaneous	-	-	64,607	10,623	-	75,230
State Sources	-	-	801,144	44,086	-	845,230
Federal Sources	-	-	2,687,507	932,171	-	3,619,678
Sales	-	-	-	2,275,333	-	2,275,333
Premium on Obligations Issued	1,521,700	-	-	-	-	1,521,700
Total Revenues	<u>1,525,633</u>	<u>-</u>	<u>3,553,258</u>	<u>3,262,255</u>	<u>752,342</u>	<u>9,093,488</u>
EXPENDITURES						
General Support	-	-	-	1,193,253	244,705	1,437,958
Instruction	-	-	3,475,802	-	411,651	3,887,453
Pupil Transportation	-	-	243,348	-	-	243,348
Employee Benefits	-	-	175,689	744,452	67,371	987,512
Debt Service	12,230,935	-	-	-	-	12,230,935
Cost of Sales	-	-	-	1,329,540	-	1,329,540
Capital Outlay	-	3,630,632	-	-	-	3,630,632
Total Expenditures	<u>12,230,935</u>	<u>3,630,632</u>	<u>3,894,839</u>	<u>3,267,245</u>	<u>723,727</u>	<u>23,747,378</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,705,302)</u>	<u>(3,630,632)</u>	<u>(341,581)</u>	<u>(4,990)</u>	<u>28,615</u>	<u>(14,653,890)</u>
OTHER FINANCING SOURCES						
Proceeds from Serial Bonds	-	988,365	-	-	-	988,365
Interfund Transfers	10,995,513	3,927,038	341,585	-	-	15,264,136
Total Other Financing Sources	<u>10,995,513</u>	<u>4,915,403</u>	<u>341,585</u>	<u>-</u>	<u>-</u>	<u>16,252,501</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	290,211	1,284,771	4	(4,990)	28,615	1,598,611
Fund Balance (Deficit) - Beginning of Year	<u>2,121,990</u>	<u>(495,869)</u>	<u>-</u>	<u>287,346</u>	<u>242,122</u>	<u>2,155,589</u>
Fund Balance - End of Year	<u>\$ 2,412,201</u>	<u>\$ 788,902</u>	<u>\$ 4</u>	<u>\$ 282,356</u>	<u>\$ 270,737</u>	<u>\$ 3,754,200</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
*SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND
 THE REAL PROPERTY TAX LIMIT
 FOR THE YEAR ENDED JUNE 30, 2016*

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 162,892,823
Add: Prior Year's Encumbrances	<u>954,420</u>
Original Budget	163,847,243
Budget Revision	<u>199,415</u>
Final Budget	<u><u>\$ 164,046,658</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2016-17 Voter-Approved Expenditure Budget	\$ <u>166,308,680</u>
Maximum Allowed (4% of 2016-17 Budget)	<u><u>\$ 6,652,347</u></u>

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

Unrestricted Fund Balance:

Assigned Fund Balance			
Unassigned Fund Balance		\$ 3,790,174	
Total Unrestricted Fund Balance		<u>6,431,175</u>	
		<u><u>\$ 10,221,349</u></u>	

Less:

Appropriated Fund Balance			
Encumbrances Included in Assigned Fund Balance		(2,910,000)	
Total Adjustments		<u>(880,174)</u>	
		<u><u>\$ (3,790,174)</u></u>	

General Fund Fund Balance Subject to §1318 of Real Property Tax Law	\$ <u>6,431,175</u>
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Actual Percentage	\$ <u>3.87%</u>
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to §1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2016

Project Title	Project Number	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance (Deficit) June 30, 2016	
				Prior Years	Current Year	Total		Proceeds of Obligations	Federal or State Aid	Local Sources		
Repairs and Maintenance Fund												
2010-2011 Repair & Maintenance Fund	-	\$ 400,000	\$ 93,558	\$ 95,689	\$ -	\$ 95,689	\$ (2,131)	\$ -	\$ -	\$ 95,689	\$ 95,689	\$ -
2011-2012 Repair & Maintenance Fund	-	400,000	-	1,432	-	1,432	(1,432)	-	-	1,432	1,432	-
2012-2013 Repair & Maintenance Fund	-	400,000	50,729	52,402	-	52,402	(1,673)	-	-	52,402	52,402	-
2013-2014 Repair & Maintenance Fund	-	400,000	400,000	400,820	-	400,820	(820)	-	-	400,820	400,820	-
2014-2015 Repair & Maintenance Fund	-	400,000	400,000	399,858	-	399,858	142	-	-	400,385	400,385	527
2015-2016 Repair & Maintenance Fund	-	700,000	700,000	-	588,713	588,713	111,287	-	-	700,001	700,001	111,288
Total Repair & Maintenance Fund		<u>2,700,000</u>	<u>1,644,287</u>	<u>950,201</u>	<u>588,713</u>	<u>1,538,914</u>	<u>105,373</u>	<u>-</u>	<u>-</u>	<u>1,650,729</u>	<u>1,650,729</u>	<u>111,815</u>
Capital Projects Fund												
\$10M Project:												
Arongen/Shatekon	0031-008	458,905	313,250	298,718	14,532	313,250	-	-	-	313,250	313,250	-
Skano/Tesago	0006-020	279,503	327,699	318,794	8,905	327,699	-	-	-	327,699	327,699	-
Karigon/Orenda	0007-017	201,502	291,338	281,889	9,449	291,338	-	-	-	291,338	291,338	-
Chanogo	0010-010	195,002	178,440	173,000	5,440	178,440	-	-	-	178,440	178,440	-
Okte	0011-011	195,002	178,310	172,878	5,432	178,310	-	-	-	178,310	178,310	-
Middle School Boiler	0001-028	1,261,013	644,441	644,441	-	644,441	-	4,044	-	640,397	644,441	-
Middle School	0001-029	-	588,151	571,532	16,619	588,151	-	-	-	588,151	588,151	-
HSW	0004-022	481,005	465,591	458,341	7,250	465,591	-	-	-	465,591	465,591	-
HSE	0008-020	4,199,204	3,100,235	3,078,763	21,472	3,100,235	-	-	-	3,100,235	3,100,235	-
HSE Panel Abatement	0008-021	-	983,364	913,334	70,030	983,364	-	-	-	983,364	983,364	-
District WIFI	7999-003	2,801,527	1,696,092	1,696,092	-	1,696,092	-	-	-	1,696,092	1,696,092	-
Arogen/Shatekon	0031-009	71,063	71,063	7,337	53,267	60,604	10,459	-	-	60,604	60,604	-
Bus Garage	5003-013	31,851	31,851	3,261	25,784	29,045	2,806	-	-	29,045	29,045	-
Chango	0010-001	44,367	44,367	4,483	32,238	36,721	7,646	-	-	36,721	36,721	-
District Office	1052-003	4,125	4,125	408	3,637	4,045	80	-	-	4,045	4,045	-
HSW	004-023	149,926	149,926	15,285	107,452	122,737	27,189	-	-	122,737	122,737	-
HSE	0008-022	444,891	444,891	48,299	284,410	332,709	112,182	-	-	194,525	194,525	(138,184)
Karigon/Orenda	0007-016	346,355	346,355	36,887	251,369	288,256	58,099	-	-	126,093	126,093	(162,163)
Middle School	0001-030	432,554	432,554	45,854	307,649	353,503	79,051	-	-	217,837	217,837	(135,666)
Okte	0011-012	40,308	40,308	4,076	28,979	33,055	7,253	-	-	33,055	33,055	-
Skano/Tesago	0006-021	371,693	371,693	37,906	249,995	287,901	83,792	-	-	197,360	197,360	(90,541)
Skano/Tesago	0006-022	49,342	49,342	44,113	5,229	49,342	-	-	-	49,342	49,342	-
Karigon/Orenda	0007-019	45,977	45,977	5,000	40,977	45,977	-	-	-	45,977	45,977	-
Available Unassigned		-	7,486	15,668	-	15,668	(8,182)	-	-	15,668	15,668	-
Total \$10M Project		<u>12,105,115</u>	<u>10,806,849</u>	<u>8,876,359</u>	<u>1,550,115</u>	<u>10,426,474</u>	<u>380,375</u>	<u>-</u>	<u>4,044</u>	<u>9,895,876</u>	<u>9,899,920</u>	<u>(526,554)</u>
Capital Repair Reserve Fund		<u>1,270,436</u>	<u>115,322</u>	<u>111,681</u>	<u>-</u>	<u>111,681</u>	<u>3,641</u>	<u>-</u>	<u>-</u>	<u>115,322</u>	<u>115,322</u>	<u>3,641</u>
Bus Bond (2015-2016)		988,365	2,188,365	-	2,080,517	2,080,517	107,848	988,365	-	1,200,000	2,188,365	87,335
Bus Bond (2014-2015)		1,821,557	2,934,221	1,821,557	-	1,821,557	1,112,664	1,821,557	-	1,112,664	2,934,221	1,112,664
Bus Bond (2013-2014)		1,817,740	1,817,740	1,869,752	-	1,869,752	(52,012)	1,869,655	-	97	1,869,752	-
Bus Bond (2012-2013)		1,891,324	1,902,087	1,903,246	-	1,903,246	(1,159)	1,903,086	-	161	1,903,247	1
Bus Bond (2011-2012)		1,771,262	1,771,262	1,726,443	-	1,726,443	44,819	1,725,445	-	998	1,726,443	-
Bus Bond (2010-11)		1,128,703	1,128,703	1,107,919	-	1,107,919	20,784	1,107,518	-	401	1,107,919	-
Total - Bus Bonds		<u>9,418,951</u>	<u>11,742,378</u>	<u>8,428,917</u>	<u>2,080,517</u>	<u>10,509,434</u>	<u>1,232,944</u>	<u>9,415,626</u>	<u>-</u>	<u>2,314,321</u>	<u>11,729,947</u>	<u>1,200,000</u>
Total Capital Projects Fund		<u>22,794,502</u>	<u>22,664,549</u>	<u>17,416,957</u>	<u>3,630,632</u>	<u>21,047,589</u>	<u>1,616,960</u>	<u>9,415,626</u>	<u>4,044</u>	<u>12,325,519</u>	<u>21,745,189</u>	<u>677,087</u>
Total All Funds		<u>\$ 25,494,502</u>	<u>\$ 24,308,836</u>	<u>\$ 18,367,158</u>	<u>\$ 4,219,345</u>	<u>\$ 22,586,503</u>	<u>\$ 1,722,333</u>	<u>\$ 9,415,626</u>	<u>\$ 4,044</u>	<u>\$ 13,976,248</u>	<u>\$ 23,395,918</u>	<u>\$ 788,902</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets, Net		\$ 89,397,772
Deduct:		
Short-Term Portion of Bonds Payable	\$ 8,838,365	
Long-Term Portion of Bonds Payable	42,865,000	
Short-Term BANS Payable	<u>1,565,000</u>	
		(53,268,365)
Add: Unexpended Cash		<u>2,718,853</u>
Investment in Capital Assets, Net of Related Debt		<u><u>\$ 38,848,260</u></u>

FEDERAL AWARD PROGRAM INFORMATION

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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***

To the Board of Education of
Shenendehowa Central School District at Clifton Park
Clifton Park, 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 general purpose financial statements of the governmental activities of the Shenendehowa Central School District at Clifton Park (the “District”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated September 26, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 26, 2016

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

To the Board of Education of
Shenendehowa Central School District at Clifton Park
Clifton Park, New York

Report on Compliance for Each Major Federal Program

We have audited the Shenendehowa Central School District at Clifton Park's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 26, 2016

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Total Federal Expenditures</u>
<u>Passed Through New York State Education Department:</u>			
<u>U.S. Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010A	0021-15-2675	\$ 42,089
Title I Grants to Local Educational Agencies	84.010A	0021-16-2675	422,738
Title III - Part A - LEP	84.365A	0293-15-2675	12,764
Title III - Part A - LEP	84.365A	0293-16-2675	6,531
Title III Immigrant - Supplemental	84.365B	0149-16-2675	10,887
Title III Immigrant - Supplemental	84.365B	0149-15-2675	11,202
Title II - Part A - Teacher and Principal Recruitment and Training	84.367A	0147-15-2675	28,250
Title II - Part A - Teacher and Principal Recruitment and Training	84.367A	0147-16-2675	179,210
Mentor/Teacher/Intern ARRA	84.397A	5663-14-0030	<u>43,210</u>
Subtotal			<u>756,881</u>
Special Education Cluster:			
Section 611 - Special Education - Grants to States	84.027A	0032-16-0808	1,856,840
Section 619 - Special Education - Preschool Grants	84.173A	0033-16-0808	<u>73,786</u>
Total Special Education Cluster			<u>1,930,626</u>
Total U.S. Department of Education Passed Through New York State Education Department			<u>2,687,507</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	Not Applicable	84,864
National School Lunch Program	10.555	Not Applicable	672,876
Food Distribution	10.553 - 10.555	Not Applicable	<u>174,431</u>
Total U.S. Department of Agriculture Passed Through New York State Education Department			<u>932,171</u>
Total Expenditures of Federal Awards			<u>\$ 3,619,678</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards was prepared on the accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred.

The amounts reported as federal expenditures in the schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable program and periods. The non-federal share of expenditures, if any, is excluded from the schedule.

2. SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

The Shenendehowa Central School District of Clifton Park is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

3. SCHOOLWIDE PROGRAMS

The District expends the following federal awards in schoolwide programs:

<u>Program</u>	<u>Amount</u>
CFDA #84.027A Special Education - Grants to States (IDEA, Part B)	\$ 1,856,840
CFDA #84.173A Special Education - Preschool Grants (IDEA Preschool)	<u>73,786</u>
Total	<u>\$ 1,930,626</u>

4. FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2016, the School District received food commodities totaling \$174,431.

5. RELATIONSHIP TO FINANCIAL STATEMENTS

Federal Sources Included in Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 3,729,241
Less: Federal Medicaid Revenue	<u>(109,563)</u>
Total Expenditures of Federal Awards	<u>\$ 3,619,678</u>

6. INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. The District's indirect cost rate is set by New York State.

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2016

SECTION I — SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of Shenendehowa Central School District at Clifton Park as of and for the year ended June 30, 2016. There was no “Going Concern” explanatory paragraph included in the audit report.
2. No significant deficiencies or material weaknesses in internal control were identified during the audit.
3. No instances of noncompliance material to federal programs or the financial statements of the Shenendehowa Central School District at Clifton Park were disclosed during the audit.
4. We noted no matters which need to be disclosed in the internal control and compliance report on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2016.
5. The auditor’s report on compliance for the major federal award program for Shenendehowa Central School District at Clifton Park expresses an unmodified opinion.
6. There were no known questioned costs reported.
7. We noted no matters which are required to be reported in accordance with 2 CFR Section 200.515 (d)(2).
8. CFDA #84.027 and #84.173 were the major programs for the year ended June 30, 2016.
9. The dollar threshold used to distinguish between Type A and Type B programs in accordance with 2 CFR Section 200.518 (b)(1).
10. The Shenendehowa Central School District at Clifton Park does qualify as a low-risk auditee under the Uniform Guidance.

SECTION II — FINANCIAL STATEMENT FINDINGS:

No findings or matters were disclosed during the audit.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No findings or matters were disclosed during the audit.

EXTRACLASSROOM ACTIVITY FUND

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MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Shenendehowa Central School District at Clifton Park
Clifton Park, New York

We have audited the accompanying financial statements of the Shenendehowa Central School District at Clifton Park Extraclassroom Activity Funds ("Shenendehowa's Extraclassroom Activity Funds"), which comprise the statement of assets and fund balance-cash basis as of June 30, 2016, and the related statement of cash receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, and fund balance of Shenendehowa's Extraclassroom Activity Fund as of June 30, 2016, and its cash receipts and disbursements for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

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

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 26, 2016

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

STATEMENT OF ASSETS AND FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2016

ASSETS

Cash \$ 437,435

FUND BALANCE

Fund Balance \$ 437,435

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

<u>Activities and Clubs</u>	<u>Balances</u> <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances</u> <u>June 30, 2016</u>
High School:				
Club				
1 st Competition	\$ 348	\$ -	\$ -	\$ 348
Advisory Council	-			
Automotive	3,549	587	(168)	3,968
Best Buddies	2,138	1,597	(939)	2,796
Carillon Yearbook	40,694	96,684	(105,776)	31,602
Class of 2016	2,508	55,273	(48,999)	8,782
Class of 2017	3,551	46,724	(41,175)	9,100
Class of 2018	1,305	9,709	(8,502)	2,512
Class of 2019	-	5,965	(5,198)	767
FBLA	498	2,996	(2,756)	738
French Club	268	-	-	268
High School East Ski Club	157	38,385	(25,488)	13,054
High School Key Club	3,179	4,449	(5,802)	1,826
High School Leo Club	94	20	(71)	43
High School Library Club	1,193	-	-	1,193
High School Technology Club	56,590	867	(1,586)	55,871
High School West Ski Club	(120)	20,198	(18,222)	1,856
International Club	220	627	(624)	223
International Service Club	40	-	-	40
Latin Club	259	245	(252)	252
National Honor Society	684	624	(1,101)	207
Newspaper Club (Shenpen)	923	-	(955)	(32)
Respect Club	651	-	-	651
SADD Club	425	1,050	(120)	1,355
Scarce	1,187	914	(452)	1,649
Science Club	738	-	-	738
SFA Senate	25,516	21,464	(36,997)	9,983
Shen Dance Team	2,134	3,330	(4,173)	1,291
Speech and Debate	1,406	252	-	1,658
TRI-M	538	1,405	(1,499)	444
Visual Arts Club AKA Art Club	2,783	-	-	2,783
World of Difference	352	-	-	352
Activity	<u>135,323</u>	<u>262,390</u>	<u>(303,462)</u>	<u>94,251</u>
Total High School Activities and Clubs	<u>\$ 289,131</u>	<u>\$ 575,755</u>	<u>\$ (614,317)</u>	<u>\$ 250,569</u>
Middle Schools:				
Gowana				
Club				
Change the World	\$ 772	\$ 772	\$ (1,544)	\$ -
Community Club	5,305	4,308	(9,613)	-
Future Cities	1,473	200	-	1,673
Gowana Classbook	8,919	5,405	(5,220)	9,104
Gowana School Climate Club	19,251	11,376	(14,787)	15,840
Gowana Ski Club	5	8,475	(7,529)	951
Gowana Student Council	3,199	7,250	(5,897)	4,552
Indoor Rock Climbing	4	2,080	(2,083)	1
Rocket Club	290	-	-	290
Chess Club	543	-	-	543
Activity	<u>5,305</u>	<u>54,542</u>	<u>(52,837)</u>	<u>7,010</u>
Total Gowana Activities and Clubs	<u>45,066</u>	<u>94,408</u>	<u>(99,510)</u>	<u>39,964</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

<u>Activities and Clubs</u>	<u>Balances</u> <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances</u> <u>June 30, 2016</u>
Middle Schools:				
Koda				
Club				
Koda Musical Theater	\$ 11,434	\$ 6,120	\$ (4,452)	\$ 13,102
Koda NJHS	9,298	4,693	(5,263)	8,728
Koda Student Council	2,456	4,188	(5,826)	818
Tri-building Technology Club	271	-	-	271
Activity	<u>15,556</u>	<u>35,270</u>	<u>(33,294)</u>	<u>17,532</u>
Total Koda Activities and Clubs	<u>39,015</u>	<u>50,271</u>	<u>(48,835)</u>	<u>40,451</u>
Acadia				
Club				
Acadia Adventure Club	2,020	-	(580)	1,440
Acadia Future Cities	1,068	200	(88)	1,180
Acadia Lego League	569	-	(57)	512
Acadia Odyssey of the Mind	377	390	(419)	348
Acadia Ski Club	730	6,240	(6,816)	154
Acadia Student Council	2,101	4,527	(5,237)	1,391
Acadia Yearbook	2,942	7,848	(8,252)	2,538
NJHS	43	3,769	(3,119)	693
Shen Buddies	2,058	2,031	(2,293)	1,796
Tri-building Board Game Club	55	-	-	55
Tri-building Sewing Club	232	310	(354)	188
Tri-building Talent Show	193	993	(507)	679
Activity	<u>9,857</u>	<u>72,866</u>	<u>(73,121)</u>	<u>9,602</u>
Total Acadia Activities and Clubs	<u>22,245</u>	<u>99,174</u>	<u>(100,843)</u>	<u>20,576</u>
Total Middle Schools Activities and Clubs	<u>106,326</u>	<u>243,853</u>	<u>(249,188)</u>	<u>100,991</u>
Elementary Schools:				
Arongen				
Club				
Arongen Student Council	1,013	4,538	(4,319)	1,232
Activity	<u>3,943</u>	<u>24,275</u>	<u>(23,991)</u>	<u>4,227</u>
Total Arongen Activities and Clubs	<u>4,956</u>	<u>28,813</u>	<u>(28,310)</u>	<u>5,459</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

EXTRACURRICULAR ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

<u>Activities and Clubs (Continued)</u>	<u>Balances July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances June 30, 2016</u>
Elementary Schools (Continued):				
Chango				
Club				
Chango Student Council	1,240	180	(165)	1,255
Activity				
Chango 1 st Grade	2	-	-	2
Chango 2 nd Grade	87	1,306	(1,047)	346
Chango 3 rd Grade	652	1,321	(1,163)	810
Chango 4 th Grade	712	1,937	(1,582)	1,067
Chango 5 th Grade	2,199	7,834	(7,616)	2,417
Chango Kindergarten Activity Fund	306	-	-	306
Chango Music Account	410	1,155	(1,161)	404
Chango Yearbook	1,404	3,080	(4,265)	219
Total Chango Club and Activities	<u>7,012</u>	<u>16,813</u>	<u>(16,999)</u>	<u>6,826</u>
Karigon				
Club				
Karigon Student Council	5,336	1,381	(2,702)	4,015
Activity				
Karigon 1 st Grade Field Trips	157	1,024	(1,135)	46
Karigon 2 nd Grade Field Trips	42	366	(376)	32
Karigon 3 rd Grade Field Trips	630	1,841	(2,356)	115
Karigon 4 th Grade Field Trips	398	1,300	(1,265)	433
Karigon 5 th Grade Field Trips	1,649	4,782	(5,990)	441
Karigon Chess Club	441	1,040	(1,145)	336
Karigon Kindergarten	38	-	-	38
Karigon School Store	781	1,760	(1,476)	1,065
Total Karigon Club and Activities	<u>9,472</u>	<u>13,494</u>	<u>(16,445)</u>	<u>6,521</u>
Okte				
Club				
Okte Student Council	5,149	6,568	(1,325)	10,392
Activity				
Okte 1 st Grade	1,275	520	(948)	847
Okte 2 nd Grade	311	896	(1,207)	-
Okte 4 th Grade	469	75	(850)	(306)
Okte 5 th Grade	2,013	3,075	(3,410)	1,678
Okte Drama Club	2,433	4,440	(4,068)	2,805
Okte General Specials	1,208	-	(906)	302
Okte Tina's Garden	37	708	(697)	48
Okte Yearbook	535	2,620	(2,085)	1,070
Total Okte Club and Activities	<u>13,430</u>	<u>18,902</u>	<u>(15,496)</u>	<u>16,836</u>
Orenda				
Club				
Orenda Student Council	3,837	1,139	(1,931)	3,045
Activity				
Orenda 1 st Grade Activity	4	84	(81)	7
Orenda 3 rd Grade Activity	1	1,626	(1,095)	532
Orenda 4 th Grade Activity	107	-	(7)	100
Orenda 5 th Grade Activity	83	2,460	(2,541)	2
Orenda Yearbook	866	5,205	(4,652)	1,419
Orenda Ice Skating Club	124	482	(519)	87
Total Orenda Club and Activities	<u>5,022</u>	<u>10,996</u>	<u>(10,826)</u>	<u>5,192</u>

SHENENDEHOWA CENTRAL SCHOOL DISTRICT AT CLIFTON PARK

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

<u>Activities and Clubs (Continued)</u>	<u>Balances July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances June 30, 2016</u>
Elementary Schools (Continued):				
Shatekon				
Club				
Shatekon Student Council	2,008	14,112	(10,861)	5,259
Shatekon and Arongen Ski	109	3,020	(3,115)	14
Activity				
Shatekon Kindergarden Activity	7	20	(27)	-
Shatekon 1 st Grade	153	760	(779)	134
Shatekon 2 nd Grade	82	474	(479)	77
Shatekon 3 rd Grade	82	545	(588)	39
Shatekon 4 th Grade	333	3,047	(2,884)	496
Shatekon Drama Club	3,194	11,386	(10,200)	4,380
Shatekon Music	376	594	(84)	886
Shatekon Sole Sisters	-	570	(522)	48
Total Shatekon Activities and Clubs	<u>6,344</u>	<u>34,528</u>	<u>(29,539)</u>	<u>11,333</u>
Skano				
Club				
Skano Student Council	3,116	2,275	(181)	5,210
Activity				
Skano 1 st Grade	44	1,206	(1,250)	-
Skano 2 nd Grade	212	1,070	(1,147)	135
Skano 3 rd Grade	3	902	(905)	-
Skano 4 th Grade	-	7,762	(7,311)	451
Skano 5 th Grade	720	15,738	(14,125)	2,333
Skano Kindergarten	116	539	(645)	10
Skano Student Council Playground	6,000	1,485	-	7,485
Skano Ski Activity	538	2,830	(3,248)	120
Total Skano Activities and Clubs	<u>10,749</u>	<u>33,807</u>	<u>(28,812)</u>	<u>15,744</u>
Tesago				
Club				
Tesago Theatere Club	2,447	1,695	(2,480)	1,662
Tesago Student Council	12,377	1,867	(943)	13,301
Tesago Yearbook	32	3,597	(3,596)	33
Activity				
Tesago 1 st Grade Activity Fund	1	914	(913)	2
Tesago 2 nd Grade Activity Fund	447	900	(1,273)	74
Tesago 3 rd Grade Activity Fund	445	397	(842)	-
Tesago 4 th Grade Activity Fund	56	1,375	(1,335)	96
Tesago 5 th Grade Activity Fund	3,636	7,065	(8,453)	2,248
Tesago Music	425	-	-	425
Total Tesago Activities and Clubs	<u>19,866</u>	<u>17,810</u>	<u>(19,835)</u>	<u>17,841</u>
Miscellaneous:				
Due to NYS Sales Tax				
Total Miscellaneous	<u>84</u>	<u>841</u>	<u>(802)</u>	<u>123</u>
Total Elementary Schools and Miscellaneous	<u>76,935</u>	<u>176,004</u>	<u>(167,064)</u>	<u>85,875</u>
Grand Total	<u>\$ 472,392</u>	<u>\$ 995,612</u>	<u>\$ (1,030,569)</u>	<u>\$ 437,435</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Fund of the District represent funds of the Students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Fund is independent of the District with respect to its financial transactions and the designation of student management. Separate financial statements are issued for this fund. The District also reports this fund in its financial statements, within its Fiduciary Fund.

The books and records of the District's Extraclassroom Activity Fund are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets are increased when cash is received and decreased when cash is disbursed.

REQUIRED COMMUNICATION WITH GOVERNANCE AND MANAGEMENT LETTER

CUSACK & COMPANY
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MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Audit Committee and Board of Education
of Shenendehowa Central School District at Clifton Park

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shenendehowa Central School District at Clifton Park for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Shenendehowa Central School District at Clifton Park are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered. 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 financial statements were the estimate of the year-end state and federal aid receivables.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

In planning and performing our audit of the financial statements of the Shenendehowa Central School District at Clifton Park as of and for the year ended June 30, 2016, in accordance with U.S. generally accepted auditing standards, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was of the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 26, 2016 on the financial statements of Shenendehowa Central School District at Clifton Park.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

CURRENT YEAR COMMENTS

2016-1 Accounts Payable Procedures

As part of our audit of accounts payable, we noted that the accounts payable clerk is not consistently marking the invoices with a stamp which would indicate “verified by accounts payable”. While in some cases there were other indications of verification, this was not always the case. We also noted instances of final processed purchase orders not having invoice support.

We recommend that the accounts payable clerk consistently stamp invoices showing proper verification. This will ensure proper approval in accordance with the District’s accounts payable procedures. We also recommend the final purchase order packages include all the proper components which would include the invoice for payment.

Management’s Response: The District concurs. The District Treasurer will review the process with the Accounts Payable team to reiterate the importance of this step.

2016-2 Accounts Payable Warrants

We noted two instances where the detail accounts payable warrants were not signed off by the District Treasurer. This occurred in the capital projects fund and the special aid fund.

We recommend that the District Treasurer review and sign off on all warrants in accordance with District policy. One way to help with this procedure would be for the accounts payable clerk to obtain this signature before filing the warrant away.

Management’s Response: The District Treasurer will review with Accounts Payable Clerks to reinforce the importance of obtaining the District Treasurer signature before filing.

2016-3 General Review of Work Papers

During the audit fieldwork there were certain instances of workpapers being incomplete or containing errors. For example, the payroll expense reconciliation was off a fairly large amount due to formula errors. We were given incomplete trial balances to start the audit, which were updated subsequently due to certain accounts being finalized after our fieldwork started. The special aid fund had an initial fund balance of approximately \$72,000 and it should have been a break even.

We understand that this was a transition year for the District Treasurer position and we are confident that these issues will be short term in nature as we have the utmost confidence in her and the accounting department. We recommend, to the best of the District’s ability, to have all workpapers prepared and reviewed before given to us. We feel that the District and our firm have the same goal, for the audit to run as smooth and efficiently as possible.

Management’s Response: The District concurs with this finding. Historically, the Business Office has not had documentation of year-end processes and procedures. Also, this was the first year using the new accounting software, which had different internal processes for certain actions that were done differently in the prior system. During the year-end close and audit process, the District Treasurer maintained a list of items that were prepared and processes that were completed within the system. This will be used to create an official year end checklist that will be followed each year, mitigating risk of missing steps regardless of turnover in key positions. The District Treasurer will also ensure that workpapers created by other staff members are reviewed prior to release to the audit team.

2016-4 Annual Salary Notices

We noted that the 2015-2016 salary notices were not distributed to the employees or maintained on file, but were able to be generated again during our payroll testing. We understand that this was also a transition year for the District's general ledger software which was the main reason the notices were not produced. We recommend that the District produce and distribute salary notices to all employees as they have in years past. This allows the employee to check over financial information for accuracy and inquire of the District if necessary. We also recommend that the notices be maintained on file in paper or electronic format.

Management's Response: The District concurs. The Assistant Superintendent for Finance and Operations and the District Treasurer will work with the Human Resources department to ensure that notices are issued going forward.

2016-5 Accounts Receivable – General Fund

In testing accounts receivable there were instances where the District could not support the transaction recorded. Approximately \$119,000, or 21% of the account balance, is older than one year.

We recommend that accounts receivable be periodically reviewed for accuracy and also for any stale items that might need to be written off or accounted for. This will help ensure accurate financial reporting for the District.

Management's Response: The District concurs. The District Treasurer will work with the Business Team staff to generate standard communication on the outstanding balances to clear them. The aging report will be reviewed by the District Accountant on a monthly basis and the Treasurer on a quarterly basis to escalate any issues. Any potential write-offs will be approved by the Assistant Superintendent for Finance and Operations.

PRIOR YEAR COMMENTS

2015-1 Workers Compensation Reserve

We noted a mathematical error in the workers compensation reserve analysis. The five year average current portion of the calculation was understated and the long term portion was overstated. We were able to pass on this adjustment as it was not material to the overall District's financial statements.

We recommend that all work papers be reviewed for mathematical accuracy to ensure proper reporting.

Management's response: The District concurs. The district treasurer will be more thorough in her review of year end work papers to ensure mathematical accuracy and proper reporting going forward.

Status: Resolved

2015-2 Stale Outstanding Checks

We noted multiple stale outstanding checks while auditing the District's bank statements across multiple funds. These funds included the General Fund, School Lunch Fund, Extraclassroom Fund and Community Service Fund.

We recommend that old outstanding checks be analyzed throughout the year and especially at year end to determine any needed course of action (written off, reissued, etc.) This will help ensure the accuracy and completeness of the outstanding check listing and cash balance.

Management's Response: The District concurs. The treasurer will review the list of stale dated checks on a timely basis to evaluate the need for further research and/or write off.

Status: Resolved

2015-3 Accounts Payable

In reviewing accounts payable we noted balances that were based off of a purchase order amount and not the actual invoice amount. The actual amount paid was lower than what was recorded in accounts payable. This resulted in an overstatement of accounts payable and current year expenses. We were able to pass on this adjustment as it was not material to the overall financial statements.

The accounts payable aging should be periodically (monthly and especially at year end) reviewed for accuracy to ensure all vendor balances are current and proper. The source for vendor balances should always be the invoice amount, as often the purchase order amount is an estimate and may differ from the final invoice amount.

Management's response: The District concurs. Proper procedures will be reviewed with the appropriate departmental staff to ensure that invoices are obtained in a timely manner at the end of the year such that accurate amounts are used to record accounts payable rather than using estimates reflected on purchase orders.

Status: Resolved

2015-4 Accounts Receivable

While testing accounts receivable in the general fund we noted multiple stale (greater than a year old) items totaling approximately \$60,500.

We recommend that the accounts receivable aging be reviewed for accuracy, with collection procedures being implemented, and subsequently analyzed for potential write offs annually.

Management's response: The District concurs. The accounts receivable aging will be reviewed on a monthly basis by the treasurer to ensure accuracy and initiate collection procedures when appropriate. Potential write-offs will be approved by the Assistant Superintendent for Finance and Operations.

Status: Additional efforts are required to fully resolve this matter going forward.

2015-5 Accrued Sick Leave

While testing accrued sick leave we noted an error in the amount used for the maximum allowed hours to accrue. This error resulted in an understatement in the accrual and associated expenses. Again we were able to pass on this adjustment as it was not material to the overall District's financial statements.

We recommend reviewing year end accrual calculations for accuracy to ensure proper reporting.

Management's response: The District concurs. The maximum number of sick days was incorrectly calculated for a small group of employees due to a formula error. The treasurer will thoroughly review the compensated absences report at year-end to ensure amounts are calculated properly.

Status: Resolved

2015-6 Accounts Receivable

While testing accounts receivable we noted a duplication in pilot payments receivable. This resulted in an overstatement in accounts receivable and revenue.

We recommend the make up of accounts receivable be reviewed for accuracy to ensure proper reporting. We also recommend that pilot payment revenue be analyzed and reconciled to the pilot payment schedule to ensure completeness.

Management's response: The District concurs. The treasurer will thoroughly review the pilot payment schedule to ensure accounts receivable are properly and accurately recorded.

Status: Resolved

2015-7 Fixed Asset Additions

We noted fitness equipment that was inadvertently capitalized twice as a current year fixed asset addition. It was added to the equipment category, as well as the building improvements category.

We recommend that fixed asset additions and year end reconciliations continue to be reviewed for accuracy and completeness to ensure proper reporting.

Management's response: The District concurs. The treasurer will review the fixed asset additions and disposals on a quarterly basis to ensure they are properly recorded in the fixed asset system.

Status: Resolved

We would like to express our gratitude for the efforts and professionalism provided by District management and finance personnel in assisting us in the timely completion of our audit. This information is intended solely for the use of the District's Board and management of the Shenendehowa Central School District at Clifton Park and is not intended to be and should not be used by anyone other than these specific parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 26, 2016