

SARANAC CENTRAL SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Saranac Central School District
Saranac, New York

Report on the Financial Statements

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 Saranac Central School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's 2016 financial statements, and in our report dated September 12, 2016, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Saranac Central School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 12), budgetary comparison information (pages 52 & 53), Schedule of Funding Progress Other Post-Employment Benefits Plan (page 55), and Schedule of District's Proportionate Share of the Net Pension Liability – ERS and TRS, and the schedules of the District's Contributions – ERS and TRS (pages 57 through 60) 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.

Our Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saranac Central School District's basic financial statements as a whole. The Schedule of Change from Original Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures, and Net Investment In Capital Assets are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of Saranac Central School District. The Schedule of Change from Original Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures, and Net Investment In Capital Assets and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

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

Boulrice & Wood CPAs, PC

September 26, 2017

**Saranac Central School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017**

The Following is Management's Discussion and Analysis (MD&A) of the Saranac Central School District's financial performance for the fiscal year ended June 30, 2017. The MD&A is a summary of the District's financial activities based on the currently known facts, decisions, or conditions. It is also based on both the government-wide and fund based financial statements.

This section is only an introduction and should be read in conjunction with the District's financial statements, which are immediately following this section.

Financial Highlights For 2016-2017

- Revenues totaled more than \$32.3 million. The general revenues represent 96.1% of this total with the balance coming from program revenues.
- Fund equity for the general fund increased by \$1,614,264.
- Fund equity for the cafeteria fund increased by \$29,102.

Overview of the Financial Statements

This annual report consists of the MD&A, a series of financial statements, and required supplementary information. The district-wide statements are organized so the reader can understand Saranac Central School District as a financial whole, an entire operating entity. The statements then proceed to provide an increased focus on individual parts of the District in more detail than the district-wide statements. The fund financial statements concentrate on the District's most significant funds. The financial statements also included notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The district-wide financial statements are designed to be similar to corporate statements in that all governmental and business type activities are consolidated. The Statement of Net Position combines governmental fund's current financial resources with capital assets and long-term obligations.

The first of the district-wide financial statements is the Statement of Net Position. This statement includes all of the District's assets and liabilities, with the difference reported as net position. Increases or decreases in net assets may serve as a useful indicator of whether the overall financial position of the District is improving or deterioration. In addition to this information evaluation of the District's overall health would extend to other non-financial factors such as diversification of the taxpayer base, the continued financial support of New York State and the Federal government, and the condition of the District's infrastructure.

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES

	6/30/2017	Restated 6/30/2016
Current and other assets	\$ 12,912,272	\$ 19,178,810
Capital assets	<u>21,814,039</u>	<u>21,740,184</u>
Total Assets	<u>34,726,311</u>	<u>40,918,994</u>
Deferred Outflow of Resources	<u>8,344,196</u>	<u>3,060,944</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 43,070,507</u>	<u>\$ 43,979,938</u>
Other Liabilities	\$ 660,384	\$ 391,300
Long Term Liabilities	<u>53,721,730</u>	<u>50,046,645</u>
Total Liabilities	<u>54,382,114</u>	<u>50,437,945</u>
Deferred Inflow of Resources		
Unearned income	36,050	3,966
Pensions	<u>396,563</u>	<u>2,830,012</u>
	<u>432,613</u>	<u>2,833,978</u>
NET POSITION		
Net Investment in capital assets	15,522,176	15,336,092
Restricted	3,832,101	3,768,009
Unrestricted	<u>(31,098,497)</u>	<u>(28,396,086)</u>
Total Net Position	<u>(11,744,220)</u>	<u>(9,291,985)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 43,070,507</u>	<u>\$ 43,979,938</u>

The largest portion of the District's assets is the investment in capital assets (land, building, equipment), less the outstanding balance of bonds used to acquire, construct, and improve the assets. These assets are used to provide educational services to students; therefore, they are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources necessary to repay this debt must be provided from the general fund budget. These assets are not to be liquidated to pay any of the debt.

Furthermore, net position of capital projects and special aid funds is restricted by State law to be spent for the purposes of the funds and are not available for spending at the District's discretion. The net position of the General Fund is not restricted by State law and is available for spending at the District's discretion.

Investment in capital assets net of related debt increased from 2015-2016 to 2016-2017. This is primarily the result of capital purchases during the 2016-2017 school year. The District also paid down debt and purchased new equipment. All this activity and depreciation expense caused an increase in the investment in capital assets from the prior year.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The restricted amount is reserved for bus purchases and a future capital project (capital reserve), a mandatory debt service reserve fund, a debt service fund and various legal reserves.

- A capital reserve was established by the taxpayers, August 2002, for the purpose of purchasing buses. The voters allowed contributions to be made for 10 years and up to \$750,000, excluding interest earnings. This reserve is permitted, by law, to continue until all of the funds are exhausted. An additional reserve was approved by voters in May 2017 for the purpose of acquiring machinery and equipment and construction and reconstruction of improvements and additions to all school buildings, grounds, and facilities. The voters allowed contributions to be made for 10 years and up to \$1,000,000, excluding interest earnings.
- A debt service fund is maintained for the payment of principal and interest on long-term debt.
- A mandatory debt service reserve fund was established in the general fund in June 2011 following the sale of Dannemora Elementary School. The reserve was increased for the sale of Cadyville Elementary School in 2016. This reserve is required when outstanding obligations remain at the time of the sale of a school building.

There was a decrease of \$2,452,235 in the unrestricted component of net position. This is primarily due to the Governmental Accounting Standards Board (GASB) #45 requirement to record a liability for post-employment benefits in regards to health care premiums. This amount is recorded as a long-term liability, under retirement benefits, and increases the unrestricted component of net position.

Net position is the difference between the District's assets and liabilities, which is one way to measure financial health or position. There are three categories of net position: capital assets (net of relate debt), restricted net position, and unrestricted net position. At the end of the fiscal year, the District reported positive balances in both the capital and restricted assets, both for the District as a whole, as well as for the individual funds.

CHANGES IN NET POSITION
(STATEMENT OF ACTIVITIES)

	6/30/2017	Restated 6/30/2016
REVENUES		
Program Revenues:		
Charges for services	\$ 249,332	\$ 246,664
Operating grants	1,280,443	1,188,561
General Revenues:		
Real property taxes	10,556,642	10,481,342
Other tax items	2,200,454	2,248,860
Charges for services	57,342	55,148
Premiums on BAN and Bond	-	-
Use of money and property	19,593	18,183
Sale of property and compensation for loss	31,503	210,098
Miscellaneous	669,628	406,269
State Sources	17,209,755	16,833,647
Federal sources	53,003	39,402
Total Revenues	<u>32,327,695</u>	<u>31,728,174</u>
EXPENSES		
General support	3,502,236	3,236,958
Instruction	17,039,319	17,649,715
Pupil transportation	1,516,406	1,582,042
Community service	20,362	21,615
Employee benefits	12,223,337	11,809,071
Debt service	246,228	262,541
School lunch program	232,042	216,409
Total Expenses	<u>34,779,930</u>	<u>34,778,351</u>
Increase (Decrease) in Net Position	<u>\$ (2,452,235)</u>	<u>\$ (3,050,177)</u>

The Statement of Activities is similar to an income statement, in that it reports revenues, expenditures, and changes in net position. With the greatest amount of revenues coming from one source, state aid \$17,209,755, the District is susceptible to fluctuations in the New York State budget. Less money means a higher property tax rate. The largest expense is instruction to students, \$17,039,319. The District has a decrease in net position of (\$2,452,235). This primarily resulted from the recording of employee benefits of \$4,310,265.

There was an increase in the general support and employee benefit areas while pupil transportation and instruction decreased. Overall, expenditures are nearly identical to the prior fiscal year.

All of the District's programs and services are reported in the district-wide financial statements as governmental activities. Most of the District's services are included here, such as regular and special education, support services, operation and maintenance of school, pupil transportation, extracurricular activities and administration. Property taxes and State formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the 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. The governmental fund financial statements are presented on a modified accrual basis; whereas, the governmental activities in the district-wide statements are presented on an accrual basis of accounting. The District has two kinds of funds, governmental and fiduciary.

Governmental Funds. Most of the District's activities are reported in governmental funds, which focus on how cash flows in and out of the funds and the balances left at year end are available for future spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are financial resources that can be spent to finance the District's programs. Any differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

General Fund. When comparing last year's statement to this year's, total fund equity increased \$1,614,264 (21.4%) from 2015-2016 to 2016-2017. This occurred mostly from a decrease in special education costs, transportation and employee benefits.

Cafeteria Fund. General support and employee benefits decreased while revenues increased causing fund equity to increase \$29,102 from the prior year.

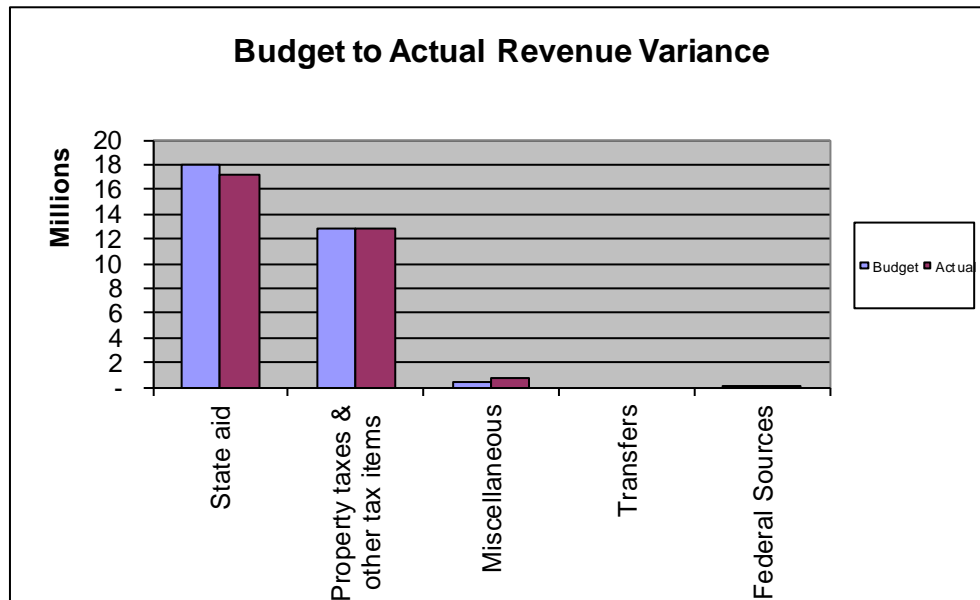
Fiduciary Funds. The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district wide financial statements because it cannot use these assets to finance its operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's general fund budget is prepared according to New York State law. During the 2016-2017 school year the original budget increased \$132,155. The increases were \$87,234 from prior year encumbrances. The additional \$44,921 budget increase came from donations received from multiple individuals/organizations and insurance recovery.

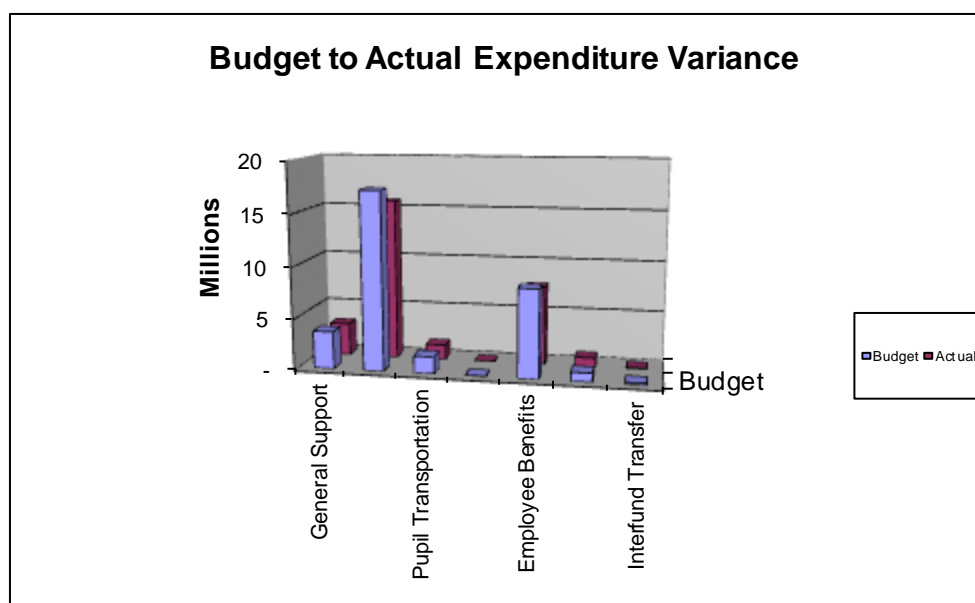
The budget increased 1.8% from 2015-2016 to 2016-2017, \$31,713,289 to \$32,295,696.

General fund actual revenues were under the budgeted amount by \$418,876. This was due to aid from New York State coming in under the budgeted amount.



	Budget	Actual	Variance
State aid	17,914,493	17,209,755	(704,738)
Property taxes & other tax items	12,758,825	12,757,096	(1,729)
Miscellaneous	374,771	669,359	294,588
Transfers	-	-	-
Federal Sources	60,000	53,003	(6,997)
Total	31,108,089	30,689,213	(418,876)

General fund actual expenditures were less than the final budget by \$3,220,747. Half of the savings, \$1,608,875 came from instructional spending. Within this area are costs associated with special education and budgeting can be difficult because there are many unknown factors. Another area that saw significant savings, \$890,675 was employee benefits. Through negotiations with the Teachers' Union the District was able to switch the entire unit to a less expensive health insurance plan effective July 1, 2016, saving the District considerable money. There were also fewer employees who retired also contributing to lower than expected health costs.



	Budget	Actual	Variance
General Support	3,637,834	3,196,102	(441,732)
Instructional	17,319,304	15,710,429	(1,608,875)
Pupil Transportation	1,661,004	1,463,921	(197,083)
Community Services	23,523	20,362	(3,161)
Employee Benefits	8,584,786	7,694,111	(890,675)
Debt Service	884,245	884,245	-
Interfund Transfer	185,000	105,779	(79,221)
Total	32,295,696	29,074,949	(3,220,747)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets as of June 30, 2017, are as follows:

CAPITAL ASSETS

	June 30, 2017	Restated June 30, 2016
Non-Depreciable Assets:		
Land	\$ 323,700	\$ 323,700
Construction in Process	3,464,642	2,888,136
Depreciable Assets:		
Building and Improvements	32,648,760	32,539,010
Machinery and Equipment	5,668,294	5,605,310
Total	<u>\$ 42,105,396</u>	<u>\$ 41,356,156</u>

The total increase in capital assets was \$749,240.

Debt

The District's total outstanding debt, as of June 30, 2017 was \$6,303,183, with \$607,432 due within one year. This amount is backed by the full faith and credit of the District with debt service fully funded by New York State building aid and voter approved property taxes.

OUTSTANDING DEBT

	Beginning	Ending
Serial Bonds	\$ 5,290,000	\$ 4,800,000
Installment Purchase Obligation	1,602,068	1,503,183
	<u>\$ 6,892,068</u>	<u>\$ 6,303,183</u>

Bond Ratings/Commitment for Capital Expenses/Debt Limitations

The District has been assigned an Aa3 rating by Moody's Investor Service. This rating reflects the District's strong ability to meet financial commitments, trend of satisfactory financial operations with historically ample reserves, manageable debt burden, and conservative management.

Currently, there are no outstanding commitments for capital expenses other than those already disclosed or any debt limitations that may affect financing. According to Local Finance Law, Section 104.000, the Statutory Debt Limit for the District currently stands at \$63,111,074, an amount that represents 10% of the most current full valuation of real property subject to taxation in the District. As compared to the total bonded debt indicated above, the difference is more than sufficient to cover needs for the foreseeable future.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

Enrollment within the District

In general, student growth occurs when the number of students entering kindergarten exceeds the number of students who graduated the previous year. The lack of economic growth in the area has significantly contributed to this enrollment trend. Additionally, the number of births in the County has declined as well.

SARANAC CENTRAL SCHOOL DISTRICT ENROLLMENT PROJECTION
Kindergarten to Senior Differential

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
K Enrollment	130	109	110	125	114	100
Senior Graduates	<u>151</u>	<u>125</u>	<u>126</u>	<u>112</u>	<u>98</u>	<u>112</u>
Differential	<u>(21)</u>	<u>(16)</u>	<u>(16)</u>	<u>13</u>	<u>16</u>	<u>(12)</u>
Total Estimated Population	<u>1,551</u>	<u>1,489</u>	<u>1,470</u>	<u>1,469</u>	<u>1,454</u>	<u>1,443</u>

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designated to provide the District's citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. The report complies with finance related laws and regulations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Saranac Central School District, 32 Emmons Road, Dannemora, New York 12929.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 1

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

	June 30, 2017	Restated June 30, 2016
ASSETS		
Cash:		
Unrestricted	\$ 7,898,793	\$ 6,148,869
Restricted	3,972,845	3,989,694
Receivables:		
Due from other funds	-	383
Due from other governments	413,535	473,997
State and federal aid	609,647	877,273
Other	-	456
Inventories	17,452	11,126
Capital assets, net	21,814,039	21,740,184
Net pension asset-proportionate share	-	7,677,012
Total Assets	34,726,311	40,918,994
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	8,344,196	3,060,944
Total Assets and Deferred Outflow of Resources	\$ 43,070,507	\$ 43,979,938
LIABILITIES		
Payables:		
Accounts payable	\$ 459,652	\$ 320,672
Accrued liabilities	13,594	7,201
Due to other governments	267	327
Accrued bond interest	20,467	21,084
Overpayments	166,404	42,016
Long-term liabilities		
Due and payable within one year:		
Bonds payable - current	505,000	490,000
Installment purchase - current	102,432	98,885
Due to teacher's retirement system	1,405,235	1,475,638
Due to employee's retirement system	109,424	156,743
Due and payable after one year		
Bonds payable - non-current	4,196,115	4,800,000
Bond premium, net of amortization	521,736	570,251
Installment purchase - non-current	1,499,636	1,503,183
Compensated absences payable	1,035,051	954,798
Other post employment benefits	42,684,688	38,449,704
Net pension liability-proportionate share	1,662,413	1,547,443
Total Liabilities	54,382,114	50,437,945
DEFERRED INFLOWS OF RESOURCES		
Unearned revenues	36,050	3,966
Pensions	396,563	2,830,012
Total Deferred Inflows of Resources	432,613	2,833,978
NET POSITION		
Net Investment in capital assets	15,522,176	15,336,092
Restricted for:		
Retirement contributions	1,105,689	1,104,765
Unemployment insurance	201,711	201,541
Capital reserve	919,799	419,446
Debt reserve	1,593,582	1,554,281
Capital projects	11,320	487,976
Unrestricted fund	(31,098,497)	(28,396,086)
Total Net Position	(11,744,220)	(9,291,985)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 43,070,507	\$ 43,979,938

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 2

STATEMENT OF ACTIVITIES

Years Ended June 30, 2017 and 2016

FUNCTIONS/ PROGRAMS	June 30, 2017			Restated June 30, 2016
	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	
General support	\$ (3,502,236)	\$ -	\$ -	\$ (3,236,958)
Instruction	(17,039,319)	-	906,766	(16,793,735)
Pupil transportation	(1,516,406)	-	-	(1,582,042)
Community service	(20,362)	-	-	(21,615)
Employee benefits	(12,223,337)	-	-	(11,809,071)
Debt service	(246,228)	-	-	(262,541)
School lunch program	(232,042)	249,332	373,677	362,836
Total Functions and Programs	\$ (34,779,930)	\$ 249,332	\$ 1,280,443	(33,343,126)
GENERAL REVENUES				
Real property taxes			10,556,642	10,481,342
Other tax items			2,200,454	2,248,860
Charges for services			57,342	55,148
Use of money and property			19,593	18,183
Sale of property and compensation for loss			31,503	210,098
Miscellaneous			669,628	406,269
State Sources			17,209,755	16,833,647
Federal Sources			53,003	39,402
Total General Revenues			30,797,920	30,292,949
Change in Net Position			(2,452,235)	(3,050,177)
Total Net Position - Beginning of Year			(9,291,985)	(6,241,808)
Total Net Position - End of Year			\$ (11,744,220)	\$ (9,291,985)

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 3

BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2017 and 2016

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	6/30/2017 TOTAL	6/30/2016 TOTAL
ASSETS						
Unrestricted cash	\$ 7,682,820	\$ 215,973	\$ -	\$ -	\$ 7,898,793	\$ 6,148,869
Restricted cash	2,414,215	-	1,547,290	11,340	3,972,845	3,989,694
Accounts receivable	-	-	-	-	-	456
Due from other funds	282,315	6,196	20	600	289,131	331,395
Due from fiduciary funds	-	-	-	-	-	383
State and federal aid receivable	559,635	50,012	-	-	609,647	877,273
Due from other governments	413,535	-	-	-	413,535	473,997
Inventories	-	17,452	-	-	17,452	11,126
Total Assets	\$ 11,352,520	\$ 289,633	\$ 1,547,310	\$ 11,940	\$ 13,201,403	\$ 11,833,193
LIABILITIES						
Accounts payable	\$ 459,652	\$ -	\$ -	\$ -	\$ 459,652	\$ 320,672
Accrued liabilities	13,594	-	-	-	13,594	7,201
Due to other governments	-	267	-	-	267	327
Due to other funds	6,196	282,315	-	620	289,131	331,395
Due to teachers' retirement system	1,405,235	-	-	-	1,405,235	1,475,638
Due to employees' retirement system	100,052	9,372	-	-	109,424	156,743
Overpayments	166,404	-	-	-	166,404	42,016
Total Liabilities	2,151,133	291,954	-	620	2,443,707	2,333,992
DEFERRED INFLOWS OF RESOURCES						
Unearned revenues	28,421	7,629	-	-	36,050	3,966
FUND BALANCES						
Nonspendable:						
Inventories	-	17,452	-	-	17,452	11,126
Restricted:						
Capital Projects	-	-	-	11,320	11,320	487,976
Retirement contributions	1,105,689	-	-	-	1,105,689	1,104,765
Unemployment insurance	201,711	-	-	-	201,711	201,541
Capital reserve	919,799	-	-	-	919,799	419,446
Debt reserve	46,272	-	1,547,310	-	1,593,582	1,554,281
Assigned:						
Community Services	-	-	-	-	-	2,523
General Support	250,195	-	-	-	250,195	77,796
Teaching - regular school	19,651	-	-	-	19,651	4,997
Programs for children with handicapping conditions	60,690	-	-	-	60,690	-
Instruction media	937	-	-	-	937	1,918
Pupil services	34,031	-	-	-	34,031	-
Employee benefits	28,511	-	-	-	28,511	-
Appropriated fund balance	869,716	-	-	-	869,716	1,100,373
Unassigned:						
Tax Reduction Reserve	140,744	-	-	-	140,744	140,622
Unassigned Fund Balance	5,495,020	(27,402)	-	-	5,467,618	4,387,871
Total Fund Balances	9,172,966	(9,950)	1,547,310	11,320	10,721,646	9,495,235
Total Liabilities, Deferred Inflows and Fund Balances	\$ 11,352,520	\$ 289,633	\$ 1,547,310	\$ 11,940	\$ 13,201,403	\$ 11,833,193

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 4

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Years Ended June 30, 2017 and 2016

				6/30/2017	6/30/2016
	General	Special Revenue	Debt Service	Capital Projects	TOTAL
REVENUES					
Real property taxes	\$ 10,556,642	\$ -	\$ -	\$ -	\$ 10,556,642
Other tax items	2,200,454	-	-	-	2,200,454
Charges for services	57,342	-	-	-	57,342
Use of money and property	17,712	43	1,838	-	19,593
Sale of property and compensation for loss	31,503	-	-	-	31,503
Miscellaneous	562,802	4,714	-	102,112	669,628
State Sources	17,209,755	122,712	-	-	17,332,467
Federal sources	53,003	1,157,731	-	-	1,210,734
Sales	-	249,332	-	-	249,332
Total Revenues	30,689,213	1,534,532	1,838	102,112	32,327,695
EXPENDITURES					
General support	3,196,102	270,773	-	14,801	3,481,676
Instruction	15,710,429	791,870	-	-	16,502,299
Pupil transportation	1,463,921	27,161	-	-	1,491,082
Community service	20,362	-	-	-	20,362
Employee benefits	7,694,111	218,961	-	-	7,913,072
Debt service	884,245	-	-	-	884,245
Capital outlay	-	-	-	576,506	576,506
Cost of sales	-	232,042	-	-	232,042
Total Expenditures	28,969,170	1,540,807	-	591,307	31,101,284
Excess (Deficit) of Revenues over Expenditures	1,720,043	(6,275)	1,838	(489,195)	1,226,411

See Notes to the Financial Statements.

OTHER SOURCES AND USES

Operating Transfers In	-	35,377	57,863	70,402	163,642	136,151
Operating Transfers (Out)	(105,779)	-	-	(57,863)	(163,642)	(136,151)
Total Other Sources and Uses	<u>(105,779)</u>	<u>35,377</u>	<u>57,863</u>	<u>12,539</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues and Other Sources over Expenditures and Other Uses	1,614,264	29,102	59,701	(476,656)	1,226,411	1,053,334
Fund Balances, Beginning of Year	<u>7,558,702</u>	<u>(39,052)</u>	<u>1,487,609</u>	<u>487,976</u>	<u>9,495,235</u>	<u>8,441,901</u>
Fund Balances, End of Year	<u><u>\$ 9,172,966</u></u>	<u><u>\$ (9,950)</u></u>	<u><u>\$ 1,547,310</u></u>	<u><u>\$ 11,320</u></u>	<u><u>\$ 10,721,646</u></u>	<u><u>\$ 9,495,235</u></u>

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 5

STATEMENT OF FIDUCIARY NET POSITION
Years Ended June 30, 2017 and 2016

	Private Purpose Trust	Agency	6/30/2017 Total	6/30/2016 Total
ASSETS				
Cash	\$ 141,837	\$ 48,798	\$ 190,635	\$ 197,382
Total Assets	<u>\$ 141,837</u>	<u>\$ 48,798</u>	<u>\$ 190,635</u>	<u>\$ 197,382</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ 383
Extraclassroom activities	-	45,776	45,776	46,176
Other liabilities	-	3,022	3,022	4,329
Total Liabilities	<u>-</u>	<u>48,798</u>	<u>48,798</u>	<u>50,888</u>
NET POSITION				
Reserved for scholarships	<u>141,837</u>	<u>-</u>	<u>141,837</u>	<u>146,494</u>
Total Net Position	<u>141,837</u>	<u>-</u>	<u>141,837</u>	<u>146,494</u>
Total Liabilities and Net Position	<u>\$ 141,837</u>	<u>\$ 48,798</u>	<u>\$ 190,635</u>	<u>\$ 197,382</u>

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 6

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Years Ended June 30, 2017 and 2016

	<u>6/30/2017</u>	<u>6/30/2016</u>
	<u>Expendable Trust</u>	<u>Expendable Trust</u>
ADDITIONS		
Gifts and contributions	\$ 350	\$ 300
Use of money and property	<u>173</u>	<u>189</u>
Total Additions	<u>523</u>	<u>489</u>
DEDUCTIONS		
Scholarships	<u>5,180</u>	<u>6780</u>
Changes in Net Position	(4,657)	(6,291)
Net Position, Beginning of Year	<u>146,494</u>	<u>152,785</u>
Net Position, End of Year	<u><u>\$ 141,837</u></u>	<u><u>\$ 146,494</u></u>

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 7

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2017**

	TOTAL GOVERNMENT FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASSIFICATION AND ELIMINATIONS	STATEMENT OF NET ASSETS TOTALS
ASSETS				
Unrestricted cash	\$ 7,898,793	\$ -	\$ -	\$ 7,898,793
Restricted cash	3,972,845	-	-	3,972,845
Due from other funds	289,131	-	(289,131)	-
State and federal aid receivable	609,647	-	-	609,647
Due from other governments	413,535	-	-	413,535
Inventories	17,452	-	-	17,452
Fixed assets	-	21,814,039	-	21,814,039
Total Assets	13,201,403	21,814,039	(289,131)	34,726,311
DEFERRED OUTFLOW OF RESOURCES				
Pensions	-	8,344,196	-	8,344,196
Total Assets and Deferred Outflow	13,201,403	30,158,235	(289,131)	43,070,507
LIABILITIES				
Accounts payable	\$ 459,652	\$ -	\$ -	\$ 459,652
Accrued liabilities	13,594	-	-	13,594
Accrued bond interest	-	20,467	-	20,467
Due to other funds	289,131	-	(289,131)	-
Due to other governments	9,639	-	-	9,639
Due to teachers' retirement system	1,405,235	-	-	1,405,235
Due to employees' retirement system	100,052	-	-	100,052
Overpayments	166,404	-	-	166,404
Bonds payable and other long-term debt	-	6,303,183	-	6,303,183
Bond premium, net of amortization	-	521,736	-	521,736
Compensated absences	-	1,035,051	-	1,035,051
Other post employment benefits	-	42,684,688	-	42,684,688
Net pension liability-proportionate share	-	1,662,413	-	1,662,413
Total Liabilities	2,443,707	52,227,538	(289,131)	54,382,114
DEFERRED INFLOW OF RESOURCES				
Unearned revenue	36,050	-	-	36,050
Pensions	-	396,563	-	396,563
	36,050	396,563	-	432,613
FUND EQUITY/NET POSITION				
Total Fund Equity/ Net Position	10,721,646	(22,465,866)	-	(11,744,220)
Total Liabilities, and Fund Equity/NetPosition	\$ 13,201,403	\$ 30,158,235	\$ (289,131)	\$ 43,070,507

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

EXHIBIT 8

**RECONCILIATION OF GOVERNMENTAL FUNDS-REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	TOTAL GOVERNMENT FUNDS	LONG-TERM REVENUE EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTION	RECLASSIFICATION AND ELIMINATIONS	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real property taxes	\$ 10,556,642	\$ -	\$ -	\$ -	\$ -	\$ 10,556,642
Other tax items	2,200,454	-	-	-	-	2,200,454
Charges for services	57,342	-	-	-	-	57,342
Use of money and property	19,593	-	-	-	-	19,593
Sale of property and compensation for loss	31,503	-	-	-	-	31,503
Miscellaneous	669,628	-	-	-	-	669,628
State Sources	17,332,467	-	-	-	-	17,332,467
Federal sources	1,210,734	-	-	-	-	1,210,734
Sales	249,332	-	-	-	-	249,332
Total Revenues	32,327,695	-	-	-	-	32,327,695
EXPENDITURES						
General support	3,481,676	-	20,560	-	-	3,502,236
Instruction	16,502,299	80,253	456,767	-	-	17,039,319
Pupil transportation	1,491,082	-	25,324	-	-	1,516,406
Community service	20,362	-	-	-	-	20,362
Employee benefits	7,913,072	4,310,265	-	-	-	12,223,337
Debt service	884,245	(617)	-	(637,400)	-	246,228
Capital outlay	576,506	-	(576,506)	-	-	-
Cost of sales	232,042	-	-	-	-	232,042
Total Expenditures	31,101,284	4,389,901	(73,855)	(637,400)	-	34,779,930
Excess (Deficit) of Revenues over Expenditures	1,226,411	(4,389,901)	73,855	637,400	-	(2,452,235)
OTHER SOURCES AND USES						
Operating Transfers In	163,642	-	-	-	(163,642)	-
Operating Transfers Out	(163,642)	-	-	-	163,642	-
Total Other Sources and Uses	-	-	-	-	-	-
Net Change for the Year	\$ 1,226,411	\$ (4,389,901)	\$ 73,855	\$ 637,400	\$ -	\$ (2,452,235)

See Notes to the Financial Statements.

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

- A. Reporting entity: The Saranac Central School District (the "District") is governed by the Education Law and other general laws of the State of New York. The governing body is the Board of Education of Saranac Central School (Board). The Board is the basic level of government, which has oversight responsibilities and control over all activities related to the public school education in the region of Saranac Central School District. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Extraclassroom Activity Funds: The Extraclassroom activity funds of the Saranac Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. The cash and investment balances are reported in the Trust and Agency Funds of the School District.

B. Basis of presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions.

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 recipients of good or services offered by the programs, and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Functional Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Nonmajor funds are aggregated and presented in a single column. The District elects to report all governmental funds as major funds.

The District reports the following major governmental funds:

General Fund - the general fund is the principal operating fund of the District and is used to account for all financial resources, except those accounted for in another fund.

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

- School Lunch Fund - used to account for transactions for the School District food service programs.
- Special Aid Fund - used to account for special operating projects or programs supported in whole, or in part, with federal funds or state grants.

Capital Projects Fund - the capital projects funds are to account for and report financial resources to be used for the acquisition, or construction or renovation of major capital facilities, or equipment.

Debt Service - the debt service funds are to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Fiduciary Fund - the fiduciary funds consist of expendable trust and non-expendable trust that are used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds. Expendable trust includes scholarship funds and extraclassroom activity funds. Non-expendable trust are agency funds that are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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.

C. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

value in exchange, include property taxes, grants and donations. On a modified accrual basis, revenue from property taxes is recognized by estimating how much will be collected during the ensuing fiscal year. Revenue from grants and donations is 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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred except for:

- a. Prepaids and inventory-type items are recognized at the time of purchase.
 - b. Principal and interest on indebtedness are not recognized as an expenditure until due.
 - c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
 - d. Pension costs are recognized as an expenditure when billed by the state.
 - e. The School District recognizes the cost of providing post-retirement health insurance coverage and survivor benefits by recording its share of insurance premiums as an expenditure in the year paid.
- D. Inventories: Inventories of food and supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value, which approximates market. Purchases of supplies in other funds are recorded as expenditures at the time of purchase, and year-end inventory balances are not maintained.
- E. Capital assets: Capital assets are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Acquisitions of equipment and capital facilities are treated as expenditures in the various funds of the School District, and are also reflected in the general fixed asset group of accounts. The assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight Line	20-50 years
Land Improvements	\$ 5,000	Straight Line	15-30 years
Machinery and Equipment	\$ 5,000	Straight Line	5-20 years

- F. Retirement plan: The School District provides retirement benefits for substantially all of its regular full-time employees through contributions to the New York State Teachers' Retirement System and the New York State Employees' Retirement System. These systems provide various plans and options, some of which require employee contributions.
- G. Property Taxes: Real property taxes are levied annually by the Board of Education no later than September 1st. Uncollected real property taxes are subsequently enforced by the County of Clinton. An amount representing uncollected real property taxes is transmitted to the county for enforcement and is paid by the county to the District no later than the forthcoming April 1st.
- H. Other Assets: In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same cost are netted against bond proceeds and recognized in the period of issuance.
- I. Unearned Revenue: Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability of unearned revenues is removed and revenues are recognized.
- J. General long-term debt: Bonds, capital notes and bond anticipation notes issued for capital projects are recognized when issued.
- K. Budgetary Procedures and Budgetary Accounting
- 1) General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is as follows:

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

A public hearing is held upon completion and filing of the tentative budget. Subsequent to such public hearing, the budget is adopted by the Board of Education. The budget is then approved by the voters within the School District.

Appropriations established by adoption of the budget constitute limitations on expenditures (and encumbrances) which may be incurred.

The New York Uniform System of Accounts requires that fixed budgetary control be used for all governmental fund types.

Budget appropriations lapse at year-end.

2) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as part of assigned fund balance and such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

L. Equity Classifications:

District- wide statements:

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

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

Restricted net position - reports net position when constraints placed on those assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, 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.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

Fund statements:

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 in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$17,452.

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

Capital

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

Debt Service

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

Retirement Contributions

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

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Tax Certiorari

According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

Unemployment Insurance

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

Encumbrances

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

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

Assigned – Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund.

Unassigned – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

general use by the School District.

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

Order of Use of Fund Balance:

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

- M. Reclassifications: Certain amounts in the 2016 financial statements may have been reclassified to conform to the 2017 presentation.
- N. Events Occurring After Reporting Date: The District has evaluated events and transactions that occurred between June 30, 2017 and September 26, 2017, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.
- O. Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.
- P. Deferred Outflows and Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

during the measurement period between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. Lastly are the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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

Q. New Accounting Standards:

The District has adopted and implemented all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017.

GASB issued GASB 77, Tax abatement disclosures.

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

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

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

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

The costs of building and acquiring capital assets (land, buildings and equipment) financed from the 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

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 42,105,396
Accumulated Depreciation	20,291,357
Capital assets, Net	<u>\$ 21,814,039</u>

Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in the fund balance. They are, however, included in the net position of the governmental activities. As of June 30, 2017 the District did not have any assets unavailable to pay for current-period expenditures.

Long-term liabilities are reported in the Statements 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 and other long-term debt	\$ 6,303,183
Other post employment benefits	42,684,688
Compensated absences	1,035,051
	<u>\$ 50,022,922</u>

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

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

on the sale of assets as reported on the Statement of Activities and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transaction Differences

Long-term debt transaction differences occur as a result of proceeds from serial bonds reflected as revenue in governmental funds whereas they are a liability on the statement of net position. Also both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Other Post-Employment Benefits

Other post-employment benefits occur because retiree health insurance premiums are paid and recorded as expenditures in the governmental fund statements as incurred. GASB 45 requires an actuarial calculation of the future liability and to record the Net OPEB Obligation in the Statement of Net Position.

5. Pension Differences

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

Following are reconciliations of revenues and expenditures Governmental Funds to Statement of Activities.

**Explanation of Differences Between Governmental Funds Operating Statement
and the Statement of Activities**

Total Revenues and other Funding Sources

Total revenues and other funding sources of governmental funds (Exhibit 4)	\$ 32,327,695
No current year differences	-
Total revenues of governmental activities in the Statement of Activities (Exhibit 8)	<u>\$ 32,327,695</u>

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

<u>Total Expenditures/Expenses</u>	
Total expenditures reported in governmental funds (Exhibit 4)	\$ 31,101,284
In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences earned was greater than the amount used during the year. (Exhibit 8)	80,253
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. This is the amount by which capital expenditures exceeded depreciation expense in the current year. (Exhibit 8)	(73,855)
In the Statement of Activities, accrued interest expense is measured by the amount accrued at the end of 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). Accrued interest was less than the amount actually paid during the year. (Exhibit 8)	(617)
The payment of Other Post-Employment Benefits (OPEB) is recorded in the governmental funds as expenditures when incurred. However, in the Statement of Activities, the current cost plus the actuarial cost of future benefits are combined and recognized as an expense. This is the amount by which the Annual OPEB Cost exceeded the premiums paid. (Exhibit 8)	4,234,984
(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for, or require, the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds.	
Teachers' Retirement System	(91,867)
Employees' Retirement System	167,148
The following items are reported as expenditures and other uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Assets, and does not effect the Statement of Activities: (Exhibit 2)	
Repayment of bonds	(588,885)
Bond amortization	(48,515)
Total expenses reported on the Statement of Activities (Exhibit 8)	<u>\$ 34,779,930</u>

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Note 3. Cash and Investments

The District's investment policies are governed by State statutes and the District's own written policy. 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 deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposits 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 New York State and its municipalities and Districts.

At June 30, 2017, the District's bank balances totaled \$10,373,872, of which \$500,000 was covered by Federal depository insurance and \$9,873,872 was covered by collateral held by the pledging banks in the District's name.

Note 4. Interfund Balances and Activity

Interfund balances and activity at June 30, 2017 and for the fiscal year then ended, were as follows:

Fund Type	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General	\$ 282,315	\$ 6,196	\$ -	\$ 105,779
Capital	600	620	70,402	57,863
Debt Service	20	-	57,863	-
Special Revenue:				
School lunch	-	79,234	-	-
Special aid	6,196	203,081	35,377	-
Agency	-	-	-	-
Total	<u>\$ 289,131</u>	<u>\$ 289,131</u>	<u>\$ 163,642</u>	<u>\$ 163,642</u>

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

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

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

The District typically transfers money from the General Fund to the Special Aid Fund for its share of special aid programs.

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5. Capital Assets

The following is a summary of changes in capital assets:

Capital Assets	Restated June 30, 2016 Beginning Balance	Additions	Retirements/ Reclassifications	June 30, 2017 Ending Balance
Governmental activities				
Capital assets that are not depreciated:				
Land	\$ 323,700	\$ -	\$ -	\$ 323,700
Construction in progress	2,888,136	576,506	-	3,464,642
	<u>3,211,836</u>	<u>576,506</u>	<u>-</u>	<u>3,788,342</u>
Capital assets that are depreciated:				
Buildings	31,288,310	-	-	31,288,310
Land improvements	1,250,700	109,750	-	1,360,450
Machinery and equipment	5,605,310	456,196	393,212	5,668,294
Total depreciable historical cost	<u>38,144,320</u>	<u>565,946</u>	<u>393,212</u>	<u>38,317,054</u>
Less accumulated depreciation:				
Buildings	14,903,513	559,462	-	15,462,975
Land improvements	1,131,224	9,923	-	1,141,147
Machinery and equipment	3,581,235	499,212	393,212	3,687,235
Total accumulated depreciation	<u>19,615,972</u>	<u>1,068,597</u>	<u>393,212</u>	<u>20,291,357</u>
Total depreciable historical cost, net	<u>\$ 21,740,184</u>	<u>\$ 73,855</u>	<u>\$ -</u>	<u>\$ 21,814,039</u>

Depreciation expense was charged to governmental
functions as follows:

General support	\$ 28,373
Instruction	667,408
Pupil transportation	372,816
Total depreciation	<u>\$ 1,068,597</u>

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 6. Compensated Absences

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

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

District employees are granted vacation in varying amounts, based primarily on length of service and service position.

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

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

Note 7. Indebtedness

Short-term Debt:

Bond Anticipation Notes – Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. At June 30, 2017, the District has no outstanding Bond Anticipation Notes.

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 7. Indebtedness (continued)

Long-term Debt: The following is a summary of changes in long-term debt:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Serial Bond 2014	\$ 735,000	\$ -	\$ 240,000	\$ 495,000
Serial Bond 2014	4,555,000	-	250,000	4,305,000
Installment Purchase 2013	1,602,068	-	98,885	1,503,183
Compensated Absences	954,798	80,253	-	1,035,051
Other Post Employment Benefits	38,449,704	4,234,984	-	42,684,688
Total	\$ 46,296,570	\$ 4,315,237	\$ 588,885	\$ 50,022,922

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/17
Serial Bond 2014	6/16/2014	6/16/2019	2.00%	\$ 495,000
Serial Bond 2014	6/10/2014	6/15/2030	5.00%	4,305,000
Installment Purchase 2013	9/6/2013	4/15/2029	3.540%	1,503,183
Total				\$ 6,303,183

The following is a summary of maturing debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 607,432	\$ 277,013	\$ 884,445
2019	626,107	256,032	882,139
2020	394,913	233,132	628,045
2021	413,856	214,939	628,795
2022	432,940	195,855	628,795
2023-2027	2,481,281	660,443	3,141,724
2028-2032	1,346,654	107,186	1,453,840
	\$ 6,303,183	\$ 1,944,600	\$ 8,247,783

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 7. Indebtedness (continued)

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

Interest paid	\$ 295,360
Less: interest accrued in the prior year	(21,084)
amortization of bond premium	(48,515)
Plus: interest accrued in the current year	<u>20,467</u>
	<u><u>\$ 246,228</u></u>

Note 8. Pensions

Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems.)

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8. Pensions (continued)

Employees' Retirement System (ERS)

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

CONTRIBUTIONS

	ERS	TRS
2017	\$ 418,769	\$ 1,519,779
2016	\$ 477,165	\$ 1,992,816
2015	\$ 529,506	\$ 1,350,592

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

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 8. Pensions (continued)

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

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

	ERS	TRS
Actuarial valuation date	3/31/2017	6/30/2016
Net pension asset/(liability)	\$ (891,425)	\$ (770,988)
District's portion of the Plan's total		
Net pension asset/(liability)	-0.0094871%	-0.071985%

For the year ended June 30, 2017, the District's recognized pension expense of \$538,598 for ERS and the Actuarial Value \$1,472,919 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 22,338	\$ -	\$ 135,368	\$ 250,460
Changes of assumptions	304,543	4,392,036	-	-
Net difference between projected and actual earnings on pension plan investments	178,054	1,733,586	-	-
Changes in proportion and differences between the Districts' contributions and proportionate share of contributions	89,806	166,469	7,776	2,959
District's contributions subsequent to the measurement date	109,424	1,347,940	-	-
Total	\$ 704,165	\$ 7,640,031	\$ 143,144	\$ 253,419

SARANAC CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 8. Pensions (continued)

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

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2017	\$ -	\$ 561,211
2018	196,698	561,211
2019	196,698	1,907,561
2020	170,337	1,488,672
2021	(112,136)	696,267
Thereafter	-	823,750
Total	<u>\$ 451,597</u>	<u>\$ 6,038,672</u>

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2017	6/30/2016
Actuarial valuation date	4/1/2016	6/30/2015
Interest rate	7.0%	7.5%
Salary scale	3.8%	1.90%-4.72%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System Experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 20, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Note 8. Pensions (continued)

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

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

Measurement Date	<u>ERS</u> 3/31/2017	<u>TRS</u> 6/30/2016
Asset Type:	%	%
Domestic equity	4.55	6.10
International equity	6.35	7.30
Private equity	7.75	9.20
Real estate	5.80	5.40
Absolute return strategies	4.00	-
Domestic fixed income securities	-	1.00
Global fixed income securities	-	0.80
Mortgages and bonds	1.31	3.10
Opportunistic portfolio	5.89	-
Real assets	5.54	-
Cash	(0.25)	-
Inflation-indexed bonds	1.50	-
Short-term	-	0.10

Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8. Pensions (continued)

applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.5% for TRS, as well as what the Districts' proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1% lower (6% for ERS and 6.5% for TRS) or 1% higher (8% for ERS and 8.5% for TRS) than the current rate:

ERS	1% Decrease 6.0%	Current Assumption 7.0%	1% Increase 8.0%
Employer's proportionate share of the net pension asset (liability)	\$ (2,847,034)	\$ (891,425)	\$ 762,039
TRS	1% Decrease 6.5%	Current Assumption 7.5%	1% Increase 8.5%
Employer's proportionate share of the net pension asset (liability)	\$ (10,059,286)	\$ (770,988)	\$ 7,019,550

Pension Plan Fiduciary Net Position

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

	ERS	TRS	Total
Valuation date	3/31/2017	6/30/2016	
Employers' total pension asset/(liability)	\$ (177,400,586)	\$ (108,577,184,039)	\$ (108,754,584,625)
Plan Net Position	168,004,363	107,506,142,099	107,674,146,462
Employers' net pension asset/(liability)	<u>\$ (9,396,223)</u>	<u>\$ (1,071,041,940)</u>	<u>\$ (1,080,438,163)</u>
Ratio of plan net position to the Employers' total pension asset/ (liability)	-94.70%	-99.01%	-99.01%

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Note 8. Pensions (continued)

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$109,424.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contribution for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$1,405,235.

Note 9. Post-Employment Benefits

The District provides post-employment (health insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. Post-employment benefits aggregating \$2,159,937 for 190 employees were charged to expenses/ expenditures in the Governmental Funds in the current year.

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

The District has obtained an actuarial valuation report for the year ended June 30, 2017, which indicates that the total liability for other post-employment benefits is \$42,684,688, which is reflected in the Statement of Net Assets.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 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:

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Post-Employment Benefits (continued)

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Annual required contribution	\$ 7,167,813	\$ 8,356,973	\$ 7,831,385
Interest on net OPEB obligation	1,345,740	1,315,169	1,102,645
Adjustment to annual required contribution	<u>(2,449,342)</u>	<u>(2,127,951)</u>	<u>(1,738,437)</u>
Annual OPEB cost (expense)	6,064,211	7,544,191	7,195,593
Contributions made	<u>(1,829,227)</u>	<u>(1,973,701)</u>	<u>(1,882,496)</u>
Increase in net OPEB obligation	4,234,984	5,570,490	5,313,097
Net OPEB obligation - beginning of year	<u>38,449,704</u>	<u>32,879,214</u>	<u>27,566,117</u>
Net OPEB obligation - end of year	<u>\$ 42,684,688</u>	<u>\$ 38,449,704</u>	<u>\$ 32,879,214</u>
Annual OPEB Cost	\$ 6,064,211	\$ 7,544,191	\$ 7,195,593
Percentage of Annual OPEB Cost Contributed	30.2%	26.2%	26.2%
Net OPEB Obligation at end of year	\$ 42,684,688	\$ 38,449,704	\$ 32,879,214

Funding Status and Funding Progress: As of June 30, 2017, the actuarial accrued liability for benefits was \$66,171,022 all of which was unfunded. The covered payroll for all active employees was \$14,591,817 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 453.48%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Note 9. Post-Employment Benefits (continued)

The following simplifying assumptions were made:

Retirement age for active employees – Retirement age was based on the experience under the NYS & Local Retirement System.

Marital status – It is assumed that 70% of retirees will be married at the time of their retirement.

Mortality – Life expectancies were based on The RP-2000 Mortality Table for males and females.

Turnover – Turnover was based on the experience under the NYS & Local Retirement System.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was initially set at 6.75%.

Discount rate – A 4% discount was used.

The unfunded actuarial accrued liability is being amortized over a level period of 30 years. The remaining amortization period at June 30, 2017 was 21 years.

Note 10. Commitments and Contingencies

Risk Financing and Related Insurance - The Saranac Central School District is exposed to the risk of various types of loss which includes torts; theft of, damage to, and destruction of assets; and injuries to employees and students. These risks, and settled claims, are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

The District participates in the Clinton-Essex-Warren-Washington BOCES Health Insurance Consortium, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of the individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide unlimited coverage for its members per insured event. The pool obtains independent coverage for insured events, and the District has essentially transferred all related risk to the pool.

The District participates in the Clinton-Essex-Warren-Washington BOCES Workers Compensation Insurance Consortium, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District has no liability as of June 30, 2017.

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Note 10. Commitments and Contingencies (continued)

The District has received Federal and State Aid/Grants which are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The District believes disallowances, not previously provided for, if any, will be immaterial.

Note 11. Joint Venture

The Saranac Central School is one of 17 component school districts in the Clinton-Essex-Warren-Washington Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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 are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

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.

During the year ended June 30, 2017, the Saranac Central School District was billed \$3,064,826 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2017, the Saranac Central School District issued no serial bonds on behalf of BOCES. General-purpose financial statements for the Clinton-Essex-Warren-Washington BOCES are available from BOCES administrative office at P.O. Box 485, Plattsburgh, New York. The District's share of BOCES income amounted to \$922,644. BOCES also refunded the District \$334,270 for excess expenses billed in prior years.

Note 12. Stewardship

The District's unassigned general fund balance was in excess of the New York State Real Property Tax Law Section 1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The unassigned fund balance at June 30, 2017 was \$5,495,020 which represents 17.07% of next year's budget. The excess amounted to \$4,207,178.

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13. Prior Period Restatement

The Statement of Net Position at June 30, 2016 and the Statement of Activities for the year ended June 30, 2016 have been restated to account for the removal of capital assets that were sold during the prior year.

Net capital assets, as originally stated		\$ 22,123,971
Assets sold, at original cost	(685,875)	
Accumulated Depreciation	302,088	
Loss on disposal of assets		<u>(383,787)</u>
Capital assets, restated (Exhibit 1)		<u>\$ 21,740,184</u>
Change in net position, as originally stated		\$ (2,666,390)
Loss on disposal of assets		<u>(383,787)</u>
Change in net position, restated (Exhibit 2)		<u>\$ (3,050,177)</u>
Change in total net position, as originally stated		\$ (8,908,198)
Loss on disposal of assets		<u>(383,787)</u>
Change in total net position, restated (Exhibit 1)		<u>\$ (9,291,985)</u>

Note 14. Prior Period Information

Comparative prior period information has been presented in summary form. This information was derived from the District's June 30, 2016 financial statements, and in our report dated September 12, 2016 we expressed an unmodified opinion.

SARANAC CENTRAL SCHOOL DISTRICT

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

Ended June 30, 2017 and 2016

	Special Aid	School Lunch	6/30/2017 Total	6/30/2016 Total
ASSETS				
Unrestricted cash	\$ 154,502	\$ 61,471	\$ 215,973	144,965
Accounts receivable	-	-	-	47
State and federal aid receivable	50,012	-	50,012	95,951
Due from other funds	6,196	-	6,196	-
Inventories	-	17,452	17,452	11,126
Total assets	\$ 210,710	\$ 78,923	\$ 289,633	\$ 252,089
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	36
Due to other funds	203,081	79,234	282,315	287,112
Due to other governments	-	267	267	327
Due to ERS	-	9,372	9,372	-
Unearned revenue	7,629	-	7,629	3,666
Total liabilities	210,710	88,873	299,583	291,141
Fund Balance:				
Nonspendable				
Inventory	-	17,452	17,452	11,126
Unassigned				
School Lunch	-	(27,402)	(27,402)	(50,178)
Total fund balance	-	(9,950)	(9,950)	(39,052)
Total liabilities and fund balance	\$ 210,710	\$ 78,923	\$ 289,633	\$ 252,089

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES AND EXPENDITURES - SPECIAL REVENUE FUND

Years Ended June 30, 2017 and 2016

	<u>Special Aid</u>	<u>School Lunch</u>	<u>6/30/2017 Total</u>	<u>6/30/2016 Total</u>
REVENUES				
Use of Money and Property	\$ -	\$ 43	\$ 43	\$ 51
Miscellaneous	1,038	3,676	4,714	7,081
State Sources	110,529	12,183	122,712	133,375
Federal Sources	796,237	361,494	1,157,731	1,055,186
Sales	-	249,332	249,332	246,664
Total revenues	<u>907,804</u>	<u>626,728</u>	<u>1,534,532</u>	<u>1,442,357</u>
EXPENDITURES				
General Support	1,038	269,735	270,773	253,687
Instruction	791,870	-	791,870	742,309
Pupil Transportation	27,161	-	27,161	28,199
Employee Benefits	123,112	95,849	218,961	223,309
Cost of sales	-	232,042	232,042	216,409
Total expenditures	<u>943,181</u>	<u>597,626</u>	<u>1,540,807</u>	<u>1,463,913</u>
OTHER SOURCES				
Operating Transfers In	35,377	-	35,377	36,151
Total Other Sources	<u>35,377</u>	<u>-</u>	<u>35,377</u>	<u>36,151</u>
Excess (deficit) of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 29,102</u>	<u>\$ 29,102</u>	<u>\$ 14,595</u>

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT

For the Year Ended June 30, 2017

Original budget		\$ 32,163,541
Additions:		
Encumbrances - fiscal year 2016	\$	87,234
Gifts and donations and insurance recoveries		44,921
Total additions		<u>132,155</u>
Revised budget		<u><u>\$ 32,295,696</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 expenditure budget \$ 32,196,039

Maximum allowed (4% of 2017-18 budget)

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

Unrestricted fund balance:		
Committed fund balance	\$	-
Assigned fund balance		1,263,731
Unassigned fund balance		<u>5,635,764</u>
Total unrestricted fund balance		<u>6,899,495</u>

Less:		
Appropriated fund balance	\$	869,716
Insurance recovery reserve		-
Tax reduction reserve		140,744
Encumbrances included in committed and assigned fund balance		<u>394,015</u>
Total adjustments		<u>1,404,475</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 5,495,020

Actual percentage 17.07%

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
Revenues:				
Local Sources:				
Real property taxes	\$ 10,599,000	\$ 10,599,000	\$ 10,556,642	\$ (42,358)
Other tax items	2,159,825	2,159,825	2,200,454	40,629
Charges for services	51,200	51,200	57,342	6,142
Use of money and property	15,750	15,750	17,712	1,962
Sale of property and compensation for loss	20,000	48,421	31,503	(16,918)
Miscellaneous	242,900	259,400	562,802	303,402
State sources	17,914,493	17,914,493	17,209,755	(704,738)
Federal sources	60,000	60,000	53,003	(6,997)
Total Revenues	31,063,168	31,108,089	30,689,213	(418,876)
Other Financing Sources				
Interfund Transfers	-	-	-	
Appropriated Reserves	-	87,234	-	
Total Unreserved Fund Balance	-	87,234	-	
Total revenues and appropriated fund balance	\$ 31,063,168	\$ 31,195,323	\$ 30,689,213	

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
Expenditures:					
General support:					
Board of education	\$ 15,085	\$ 11,308	\$ 10,321	\$ 39	\$ 948
Central administration	201,223	199,408	196,795	1,902	711
Finance	343,204	345,366	339,746	4,980	640
Staff	95,985	108,925	105,844	1,526	1,555
Central services	2,329,072	2,400,958	1,986,894	233,513	180,551
Special items	574,341	571,869	556,502	8,235	7,132
Instructional:					
Instruction, administration and improvement	956,781	956,676	951,131	-	5,545
Teaching - regular school	7,964,384	7,986,654	7,697,443	19,651	269,560
Programs for Children with Handicapping	5,213,249	5,185,839	4,081,603	60,690	1,043,546
Occupational Education	894,730	894,730	817,751	-	76,979
Instructional media	663,177	682,564	679,405	937	2,222
Pupil service	1,609,069	1,612,841	1,483,096	-	129,745
Pupil transportation	1,609,710	1,661,004	1,463,921	34,031	163,052
Community Services	21,000	23,523	20,362	-	3,161
Employee benefits	8,603,286	8,584,786	7,694,111	28,511	862,164
Debt Service	884,245	884,245	884,245	-	-
Total expenditures	31,978,541	32,110,696	28,969,170	394,015	2,747,511
Other uses:					
Interfund transfer	185,000	185,000	105,779	-	79,221
Total expenditures and other uses	\$ 32,163,541	\$ 32,295,696	29,074,949	\$ 394,015	\$ 2,826,732
 Net change in fund balance	 (1,100,373)	 (1,100,373)	 1,614,264		
 Fund balance - beginning	 7,558,702	 7,558,702	 7,558,702		
 Fund balance - ending	 <u>\$ 6,458,329</u>	 <u>\$ 6,458,329</u>	 <u>\$ 9,172,966</u>		

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
Year Ended June 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	(Overexpended) Unexpended Balance	Methods of Financing			Total	Fund Balance June 30, 2017
							Proceeds of Obligations	State Aid	Local Sources		
Upgrades Phase 1	\$ 1,121,500	\$ 1,121,500	\$1,213,425	-	\$ 1,213,425	\$ (91,925)	\$ 1,161,500	\$ -	\$ 51,925	\$ 1,213,425	\$ -
Upgrades Phase 2	4,478,500	4,478,500	3,876,471	43,547	3,920,018	558,482	3,838,500	-	82,118	3,920,618	600
Upgrades Phase 3	499,330	499,330	77,878	532,959	610,837	(111,507)	600,000	-	21,557	621,557	10,720
Energy Performance	1,741,203	1,751,703	2,253,198	57,863	2,311,061	(559,358)	1,751,703	457,245	102,113	2,311,061	-
Total Project	<u>\$ 7,840,533</u>	<u>\$ 7,851,033</u>	<u>\$7,420,972</u>	<u>\$ 634,369</u>	<u>\$ 8,055,341</u>	<u>\$ (204,308)</u>	<u>\$ 7,351,703</u>	<u>\$ 457,245</u>	<u>\$ 257,713</u>	<u>\$ 8,066,661</u>	<u>\$ 11,320</u>

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS OTHER POST EMPLOYMENT BENEFITS PLAN

Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
6/30/2017	\$ -	\$ 66,171,022	\$ 66,171,022	0%	\$ 14,591,817	453.5%
6/30/2016	\$ -	\$ 75,805,954	\$ 75,805,954	0%	\$ 15,192,771	499.0%
6/30/2015	\$ -	\$ 71,691,422	\$ 71,691,422	0%	\$ 14,923,377	480.4%
6/30/2014	\$ -	\$ 76,056,512	\$ 76,056,512	0%	\$ 15,194,561	500.6%
6/30/2013	\$ -	\$ 71,775,183	\$ 71,775,183	0%	\$ 14,232,411	504.3%
6/30/2012	\$ -	\$ 60,090,568	\$ 60,090,568	0%	\$ 13,279,487	452.5%
6/30/2011	\$ -	\$ 56,899,380	\$ 56,899,380	0%	\$ 14,193,946	400.9%
6/30/2010	\$ -	\$ 51,146,061	\$ 51,146,061	0%	\$ 14,741,808	346.9%
6/30/2009	\$ -	\$ 48,267,425	\$ 48,267,425	0%	\$ 12,534,108	385.1%

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2017

Capital Assets, Net	\$ 21,814,039
Deduct:	
Short-term portion of bonds and notes payable	607,432
Long-term portion of bonds and notes payable	5,695,751
Less: unspent bond proceeds	<u>11,320</u>
Net investment in capital assets	<u><u>\$ 15,522,176</u></u>

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2017

NYSERS Pension Plan
 Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0094871%	0.0096412%	0.0098124%							
District's proportionate share of the net pension liability (asset)	\$ 891,425	\$ 1,547,443	\$ 331,488							
District's covered- employee payroll	\$ 2,690,714	\$ 2,870,811	\$ 2,782,289							
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.13%	53.90%	11.91%							
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.95%							

* The amounts presented for each fiscal year were determined as of 06/30

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Year Ended June 30, 2017

NYSERS Pension Plan
 Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 418,769	\$ 477,165	\$ 529,606	\$ 531,585	\$ 543,262	\$ 368,545	\$ 331,058	\$ 188,478	\$ 198,004	\$ -
Contributions in relation to the contractually required contribution	\$ 418,769	\$ 477,165	\$ 529,606	\$ 531,585	\$ 543,262	\$ 368,545	\$ 331,058	\$ 188,478	\$ 198,004	\$ -
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Districts covered-employee payroll	\$ 2,690,714	\$ 2,870,811	\$ 2,782,289							
Contributions as a percentage of covered employee payroll	15.6%	16.6%	19.0%							

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2017

NYSTRS Pension Plan
 Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.071985%	0.073911%	0.075852%	0.075199%						
District's proportionate share of the net pension liability (asset)	\$ 770,988	\$ (7,677,012)	\$ (8,449,478)	\$ (494,997)						
District's covered- employee payroll	\$ 11,323,099	\$ 11,292,665	\$ 11,262,739							
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.81%	-67.98%	-75.02%							
Plan fiduciary net position as a percentage of the total pension liability	99.0%	110.5%	111.5%							

* The amounts presented for each fiscal year were determined as of 06/30

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Year Ended June 30, 2017

NYSTRS Pension Plan
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,472,919	\$ 1,946,261	\$ 1,820,743	\$ 1,350,592	\$ 1,250,047	\$ 1,024,594	\$ 798,562	\$ 937,765	\$ 1,064,958	\$ -
Contributions in relation to the contractually required contribution	\$ 1,472,919	\$ 1,946,261	\$ 1,820,743	\$ 1,350,592	\$ 1,250,047	\$ 1,024,594	\$ 798,562	\$ 937,765	\$ 1,064,958	\$ -
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Districts covered-employee payroll	\$ 11,323,099	\$ 11,292,665								
Contributions as a percentage of covered employee payroll	13.01%	17.23%								

The schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10 year trend is compiled, the District is presenting information for those
years for which information is available.

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Pass-Through New York State Department of Education:			
Special Education Cluster:			
IDEA Part B Section 611	84.027A	0032-17-0141	\$ 432,387
IDEA Part B Section 619	84.173A	0033-17-0141	18,674
Total Special Education Cluster			<u>451,061</u>
 Title I	 84.010A	 0021-16-0515	 69,180
Title I	84.010A	0021-17-0515	38,630
School Improvement	84.010A	0011-17-2168	140,546
Title II Principal & Teacher	84.367A	0147-17-0515	96,820
Total U.S. Department of Education			<u>796,237</u>
U.S. Department of Agriculture:			
Pass-Through New York State			
National School Lunch Program - Cash	10.555		238,886
National School Lunch Program - Commodities	10.555		49,667
School Breakfast Program	10.553		72,941
Total Department of Agriculture			<u>361,494</u>
Total federal assistance expended			<u>\$ 1,157,731</u>

See Independent Auditor's Report.

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

Note 1. Basis of Presentation

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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
Saranac Central School District
Saranac, New York 12981

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Saranac Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Saranac Central School District's basic financial statements and have issued our report thereon dated September 26, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Saranac Central School 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 the 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, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The findings are referenced as 17-1 and 17-2. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saranac Central School 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 instances of noncompliance or other matters that are required to be reported under Government *Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 17-1 and 17-2.

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.

Boulrice & Wood CPAs, PC

September 26, 2017

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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
Saranac Central School District
Saranac, New York 12981

Report on Compliance for Each Major Federal Program

We have audited Saranac Central School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Saranac Central School District's major federal programs for the year ended June 30, 2017. Saranac Central School 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 major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Saranac Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 Saranac Central School District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Saranac Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Saranac Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saranac Central School District's internal control over compliance.

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

Our consideration of the 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.

Boulrice & Wood CPAs, PC

September 26, 2017

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

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified not considered to be a material weakness? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) ☐ yes ☒ no

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.010A	Title I
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk Auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
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**SARANAC CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2017**

SECTION II – FINANCIAL STATEMENTS

17-1 Excess Fund Balance

Condition: The District's unassigned general fund balance was 17.08% of next year's budget.

Effect: The District's unassigned general fund balance was 13.08% or \$4,208,278 over the amount allowable by law.

Criteria: According to New York State Real Property Tax Law Section 1318, a district's unappropriated fund balance may not exceed an amount equal to 4% of next year's budget.

Recommendation: We recommend the District keep in mind this rule when preparing the next year's budget.

Corrective Action: Saranac Central School District has taken a conservative approach to spending as State Aid funding remains uncertain. The Board of Education plans to use its fund balance in future budgets to provide stability to taxpayers in a fiscally responsible manner.

17-2 Extraclassroom Activity Deposits

Condition: Fund raised by the Extraclassroom activity fund are not being deposited in a timely manner. For the 16 receipts tested by us, the average time between collection and deposit was over 10 days.

Effect: The District risks funds being lost or misused.

Recommendation: We recommend the District deposit cash and checks received by the Extraclassroom activities daily, or as quickly as possible, as recommended by the New York State Comptroller's Office.

Corrective Action: Both the H.S. and M.S. Principals, Central Treasurer, and advisors were informed that any and all funds received must be deposited within a day or two of receipt.

SECTION III – MAJOR FEDERAL AWARDS

There were no current period findings or questioned costs.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board
Saranac Central School District
Saranac, New York

We have audited the accompanying statement of assets, liabilities and fund balance – cash basis and the related statement of receipts, disbursements and ending balances – cash basis of the Extraclassroom Activity Funds of the Saranac Central School District as of and for the year June 30, 2017, 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 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 error or fraud.

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 and minimum program procedures established by the New York State Department of Education. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance – cash basis of the Extraclassroom Activity Funds of the Saranac Central School District as of June 30, 2017, and its receipts, disbursements and ending balances – cash basis thereof for the year then ended in accordance with the 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.

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
September 26, 2017

**SARANAC CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS**

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
June 30, 2017 and 2016**

	<u>6/30/2017</u>	<u>6/30/2016</u>
Assets		
Cash	<u>\$ 45,776</u>	<u>\$ 46,176</u>
Total Assets	<u><u>\$ 45,776</u></u>	<u><u>\$ 46,176</u></u>
Fund Balance		
Extraclassroom Activity	<u>\$ 45,776</u>	<u>\$ 46,176</u>
Total Fund Balance	<u><u>\$ 45,776</u></u>	<u><u>\$ 46,176</u></u>

See Notes to the Financial Statements – Extraclassroom Activity Funds

**SARANAC CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND ENDING BALANCES
Year Ended June 30, 2017**

Activity	Balance June 30, 2016	Receipts	Disbursements	Balance June 30, 2017
Saranac HS Art Club	\$ 293	\$ -	\$ 56	\$ 237
Saranac HS Band	1,733	263	606	1,390
Saranac HS Class of 2016	53	-	53	-
Saranac HS Class of 2017	1,391	3,955	4,648	698
Saranac HS Class of 2018	3,709	9,536	10,643	2,602
Saranac HS Class of 2019	4,945	7,366	4,025	8,286
Saranac HS Class of 2020	-	4,648	2,938	1,710
Saranac HS Drama Club	12,038	12,594	10,686	13,946
Saranac HS Home & Careers	42	70	43	69
Saranac HS Key Club	2,567	1,491	1,832	2,226
Saranac HS Library Club	2,525	2,881	2,588	2,818
Saranac HS NHS	236	759	903	92
Saranac HS SADD	53	-	53	-
Saranac HS Multicultural Club	491	497	406	582
Saranac HS Student Council	2,552	4,546	5,384	1,714
Saranac HS Outdoor Club	276	1,253	-	1,529
Saranac HS Yearbook	8,307	12,014	19,856	465
Saranac MS Student Council	255	874	192	937
Saranac MS Drama	4,251	2,902	1,254	5,899
Saranac MS Builders Club	459	742	625	576
	<u>\$ 46,176</u>	<u>\$ 66,391</u>	<u>\$ 66,791</u>	<u>\$ 45,776</u>

. See Notes to the Financial Statements – Extraclassroom Activity Funds

SARANAC CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

Basis of Accounting: The books and records of the Saranac Central School District's Extraclassroom Activity Funds 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, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Basis of Presentation: The Extraclassroom Activity Funds of the Saranac Central School 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. The cash and investment balances are reported in the Trust and Agency Funds of the District.

Cash Equivalents: For financial statement purposes all highly liquid investments having maturities of three months or less are considered as cash equivalents.