

CHATHAM CENTRAL SCHOOL DISTRICT

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chatham Central School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress - other post-employment benefits plan and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 13 and pages 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on pages 55 through 59, as described in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
September 20, 2016

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2016. This section is a summary of the School District's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position of the School District was \$23,229,390.
- The District continually strives to provide the best education possible, and at the same time maintaining financial stability and accountability to their tax payers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

District-Wide Statements

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

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

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures and changes in fund balances.

- **Fiduciary Fund:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

District-Wide Financial Analysis

Figure A-2 provides a summarized version of the statement of net position for the fiscal year ending June 30, 2016 as compared to the fiscal year ending June 30, 2015.

Figure A-2

Condensed Statement of Net Assets

| | Government and Total School District Activities | | |
|--------------------------------------|---|----------------------|------------------------------------|
| | 2016 | 2015 | Variance Increase (Decrease) |
| Assets | | | |
| Current and other asset | \$ 23,075,515 | \$ 23,116,624 | \$ (41,109) |
| Capital asset | 32,109,277 | 32,847,346 | (738,069) |
| Total asset | 55,184,792 | 55,963,970 | (779,178) |
| Total Deferred Outflows of Resources | 3,271,186 | 1,926,638 | 1,344,548 |
| Liabilities | | | |
| Current liabilities | 4,934,642 | 5,267,616 | (332,974) |
| Long-term liabilities | 27,854,711 | 25,268,286 | 2,586,425 |
| Total liabilities | 32,789,353 | 30,535,902 | 2,253,451 |
| Total Deferred Inflows of Resources | 2,437,235 | 4,822,435 | (2,385,200) |
| Net investment in capital assets | 23,409,277 | 22,727,346 | 681,931 |
| Unrestricted/Restricted | (179,887) | (195,075) | 15,188 |
| Total Net Position | \$ 23,229,390 | \$ 22,532,271 | \$ 697,119 |

Current and other asset decreased because net proportional pension asset decreased.

Capital Assets decreased because of the depreciation and less additions then previous years.

Liabilities increased mainly from OPEB obligations.

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Governmental Activities/ Changes in Net Position - Figure A-3

The District's net position due to government activities increased by \$697,118.

| | <u>2016</u> | <u>2015</u> | <u>Increase (Decrease)</u> |
|--|-------------------|---------------------|--------------------------------|
| Revenues | | | |
| Property tax and tax items | \$ 21,237,566 | \$ 20,881,079 | \$ 356,487 |
| Charges for services | 115,148 | 222,513 | (107,365) |
| Use of money and property | 43,179 | 31,423 | 11,756 |
| Sale of property and compensation for loss | 2,334 | (3,667) | 6,001 |
| Miscellaneous | 272,449 | 1,021,205 | (748,756) |
| State formula aid | 7,343,132 | 7,012,755 | 330,377 |
| Federal aid | 736,763 | 856,857 | (120,094) |
| Food sales and surplus | <u>206,590</u> | <u>200,268</u> | <u>6,322</u> |
| Total revenues | <u>29,957,161</u> | <u>30,222,433</u> | <u>(265,272)</u> |
| Expenses | | | |
| General support | \$ 3,077,632 | \$ 3,053,430 | \$ 24,202 |
| Instruction | 13,214,203 | 12,144,828 | 1,069,375 |
| Pupil transportation | 1,637,220 | 1,745,262 | (108,042) |
| Community service | 278,107 | 264,432 | 13,675 |
| Employee benefits | 9,208,764 | 9,108,113 | 100,651 |
| Debt service | 246,290 | 288,080 | (41,790) |
| Depreciation | 1,201,665 | 1,207,115 | (5,450) |
| School lunch program | <u>396,162</u> | <u>404,335</u> | <u>(8,173)</u> |
| Total expenses | <u>29,260,043</u> | <u>28,215,595</u> | <u>1,044,448</u> |
| Increase in net position: | <u>\$ 697,118</u> | <u>\$ 2,006,838</u> | <u>\$ (1,309,720)</u> |

**CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Figure A-4

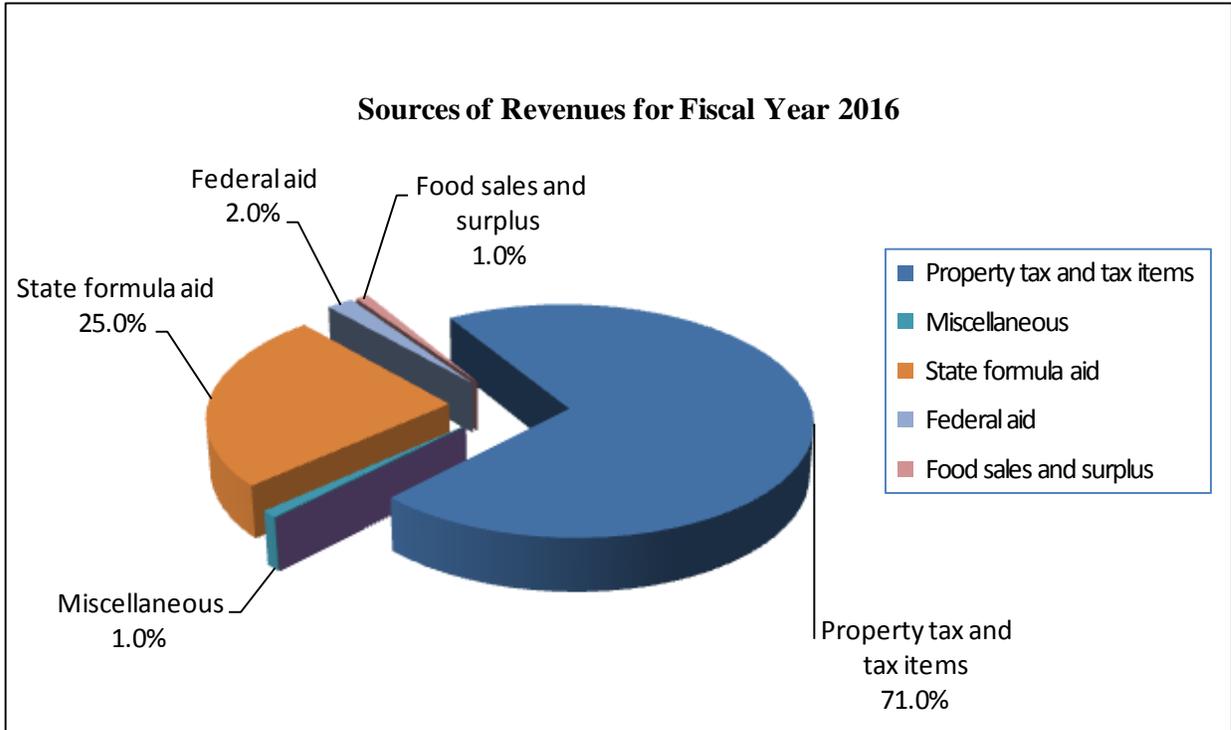
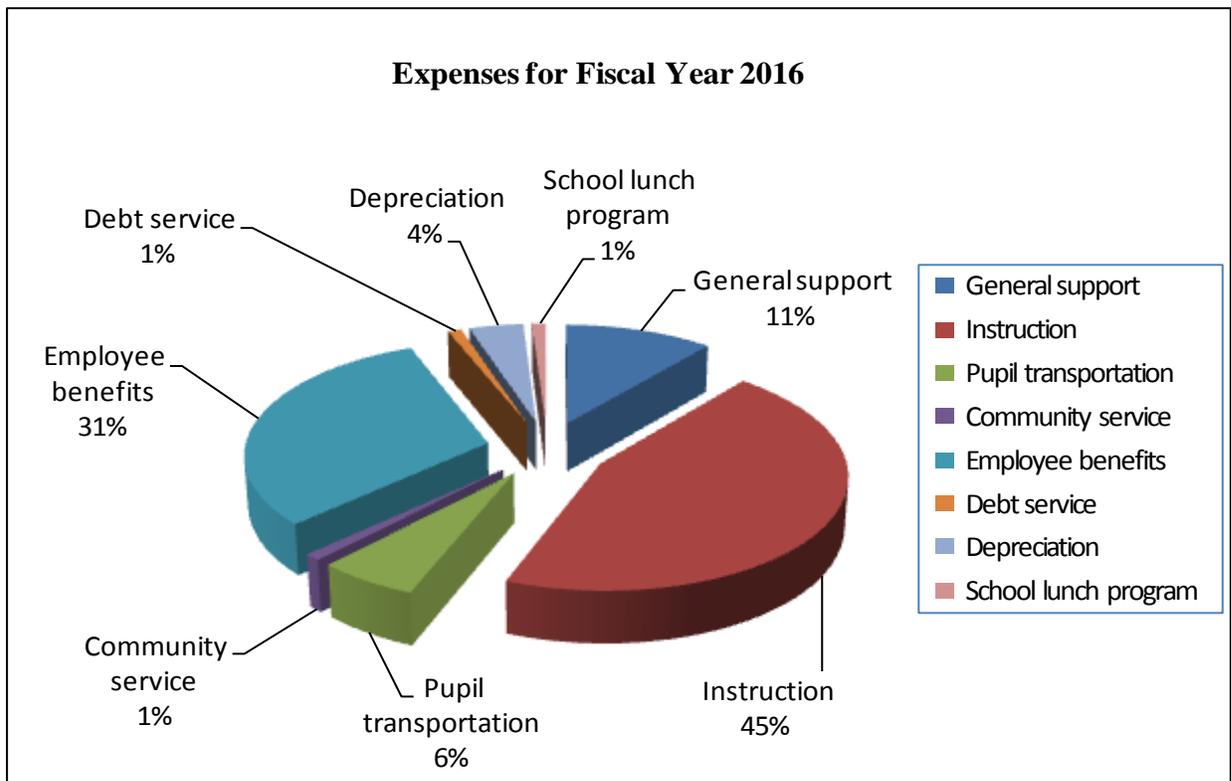


Figure A-5



CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Fund Financial Analysis (District's Funds)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$13,403,092. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2016 and 2015.

Figure A-6

| | 2016 | 2015 | Increase (Decrease) |
|-----------------------|---------------|---------------|------------------------|
| General | \$ 13,161,702 | \$ 11,811,246 | \$ 1,350,456 |
| School Lunch | 152,782 | 155,207 | (2,425) |
| Public Library | 47,419 | 54,772 | (7,353) |
| CM Misc Spec. Revenue | 41,189 | 41,436 | (247) |
| Capital | 0 | 37,102 | (37,102) |
| | \$ 13,403,092 | \$ 12,099,763 | \$ 1,303,329 |

General Fund – is the largest and chief operating fund of the School District.

From the period June 30, 2015 to June 30, 2016:

- Assets increased \$742,246 from 2015 to 2016 as cash balances increased year over year. Liabilities decreased \$608,209 in 2016 from a decrease in due to teachers retirement, employees retirement and accounts payable as compared to June 30, 2015.
- Revenues were higher due to one-time special education reimbursement and increase BOCES aid.
- Expenses were lower due to decreased heating and fuel cost, and lower special education cost.

In the 2015-2016 school year the district received some large one-time state aid payments and expenditures were lower than budgeted, and moved funds to follow our long-term financial reserve plan. This resulted in the following:

- EBLAR decreased by \$345,488.
- Encumbrances increased by \$57,324.
- Workers' Compensation increased by \$87,094.
- Capital Reserve increased by \$4,683.
- Capital Reserve 2 increased by \$1,001,820.
- Unemployment increased by \$792.
- Insurance reserve decreased by \$322,946.
- Retirement Contribution increased by \$867,138.
- Tax Certiorari decreased by \$25,621.
- Unassigned Fund Balance (4%) increased by \$25,656.

Special Aid or Federal Fund – is used for all District grant awards.

From the period June 30, 2015 to June 30, 2016:

- The revenue decreased by \$107,115 primarily from us not receiving the STLE grant in 2015-2016.

School Lunch Fund – for revenues and expenditures associated with operation of the District's food service program.

- Revenues for the School Lunch Fund decreased \$3,103 over the prior year primary. Expenses decreased by \$8,081 primary from the decreased cost of food and more in house preparation of meals.
- The District ended the year with a fund balance of \$152,782, which equals the allowable 3 months cafeteria operating expenses.

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Aid Fund – for Capital construction projects and bus purchases.

- The District ended the year with a Fund Balance of \$-0-. The remaining balances were transfer back to the general fund.

Capital Assets

The District’s capital assets (net of accumulated depreciation) as of June 30, 2016, are as follows:

Figure A-7

Capital Assets

| | | |
|----------------------------|----|--------------------------|
| Land | \$ | 4,014,931 |
| Buildings and improvements | | 26,162,017 |
| Machinery & equipment | | <u>1,932,329</u> |
| Total | \$ | <u><u>32,109,277</u></u> |

By the end of June 30, 2016, the District had invested \$32,109,277 in Capital Assets net of accumulated depreciation. This is a decrease over the previous year as the depreciation expense exceeded the addition to the fixed assets schedule by \$683,254.

Adherence to long-range financial plans is considered a reflection of good forecasting and planning. The District’s most significant asset/investment in our mission to educate students is our buildings. With the buildings comes the responsibility to monitor, maintain and repair the building. Although some capital projects are discretionary and can be deferred in difficult economic periods, the failure to maintain existing facilities can create a backlog of projects.

The Chatham Central School District has initiated a planning process focused on the development of a comprehensive long range master plan for facilities improvement, infrastructure, and campus site development. The master plan is intended to address existing building infrastructure needs, anticipated development within various communities of the School District, as well as changing and evolving educational program needs of the District. This comprehensive long range plan reviews our needs and priorities and is the basis of our decision making on all future capital projects.

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Debt

The District had total debt including bonds and other obligations outstanding in the amount of \$32,553,451 as of June 30, 2016. The District currently has an Aa3 bond rating.

Figure A-8

| Description | Outstanding Balance |
|---------------------------------------|---------------------------------|
| Bonds | \$ 8,700,000 |
| Teacher's Retirement System | 1,294,870 |
| Employee's Retirement System | 149,194 |
| Other Post Employment Benefits (OPEB) | 19,903,963 |
| Compensated Absences | 641,972 |
| Net Pension Liability | <u>1,863,452</u> |
| Total | <u><u>\$ 32,553,451</u></u> |

Section 104 of the Local Finance Law limits the amount of general obligation debt that a school district may issue to 10% of the full valuation of the taxable real property in the district. At June 30, 2016, the total outstanding indebtedness represented approximately 6% of the District's debt limit which is well within the appropriate limits.

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund Budgetary Highlights

Figure A-9 provides an analysis of significant variations between the original budget and final budget amounts as compared to actual budget results for the General Fund.

The General Fund's original budget of \$29,901,041 was increased to account for the use of Reserve Funds of \$61,930 and Reserve for Encumbrances carried forward from 2014-2015 of \$216,477. The budget was also increased for gifts and donations and Bullet aid. These reserves and appropriations allow for a funding source for the additional expense above the original budget.

Figure A-9

| | <u>Adopted Budget</u> | <u>Final Revised Budget</u> | <u>Actual</u> | <u>Encumbrances</u> | <u>Variance</u> |
|---|---------------------------|---------------------------------|----------------------|---------------------|---------------------|
| Revenues | | | | | |
| Local & misc. sources | \$ 21,558,774 | \$ 21,559,353 | \$ 21,566,766 | \$ 0 | \$ 7,413 |
| State sources | 6,920,667 | 6,980,667 | 7,119,593 | 0 | 138,926 |
| Federal sources | 80,000 | 80,000 | 68,504 | 0 | (11,496) |
| Interfund transfers | <u>0</u> | <u>0</u> | <u>41,605</u> | <u>0</u> | <u>41,605</u> |
| Total Revenue & Other Sources | <u>28,559,441</u> | <u>28,620,020</u> | <u>28,796,468</u> | <u>0</u> | <u>\$ 176,448</u> |
| Appropriated reserves | 0 | 61,930 | 0 | | |
| Reserve for encumbrance | 0 | 216,476 | 0 | | |
| Appropriated fund balance | <u>1,341,600</u> | <u>1,341,600</u> | <u>0</u> | | |
| Total Revenues, Appropriated Reserves, and Designated Fund Balance | <u>\$ 29,901,041</u> | <u>\$ 30,240,026</u> | | | |
| Expenses | | | | | |
| General support | \$ 3,513,277 | \$ 3,704,396 | \$ 3,051,118 | \$ 163,002 | \$ 490,276 |
| Instruction | 13,379,659 | 13,607,602 | 12,606,625 | 110,900 | 890,077 |
| Pupil transportation | 1,867,616 | 1,784,935 | 1,531,354 | 367 | 253,214 |
| Employee benefits | 8,468,074 | 8,470,679 | 7,712,883 | 297 | 757,499 |
| Debt service | 1,692,755 | 1,692,755 | 1,687,755 | 0 | 5,000 |
| Interfund transfers | <u>979,660</u> | <u>979,660</u> | <u>856,277</u> | <u>0</u> | <u>123,383</u> |
| Total Expenditures | <u>\$ 29,901,041</u> | <u>\$ 30,240,027</u> | <u>\$ 27,446,012</u> | <u>\$ 274,566</u> | <u>\$ 2,519,449</u> |
| Revenues Over (Under) Expenses* | | | <u>\$ 1,350,456</u> | | |

* Note: This number represents revenues minus expenditures and excludes the appropriated fund balance designated to

CHATHAM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

District's Enrollment

| | |
|----------------------------|------|
| 11/12 Enrollment | 1258 |
| 12/13 Enrollment | 1206 |
| 13/14 Enrollment | 1170 |
| 14/15 Enrollment | 1107 |
| 15/16 Enrollment | 1072 |
| 16/17 Projected Enrollment | 1052 |

Chatham CSD is experiencing a trend of declining enrollment similar to many other NY State public schools.

Factors Bearing On the District's Future:

At the time these financial statements were prepared and audited, the District was acutely aware of pending circumstances that could significantly affect its financial health in the future. A major challenge facing the District is the uncertainty of the State's economy and its effect on state funding levels. An economic slowdown may result in future cuts to state aid but the District has accumulated significant reserves to combat these potential cuts.

Some items that are affecting all school districts include:

- Continual increase in health insurance costs, specifically prescription drug costs.
- The cost of Special Education and the related unfunded mandates by State and Federal Governments.

Requests for information

The financial report is designed to provide District residents, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Chatham Central School District
Attn: Michael Chudy, Business Administrator
50 Woodbridge Avenue
Chatham, NY12037
email: mchudy@chatham.k12.ny.us

CHATHAM CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

| <i>ASSETS</i> | |
|---|----------------------|
| Cash: | |
| Unrestricted | \$ 5,343,042 |
| Restricted | 10,323,839 |
| Receivables: | |
| State and Federal aid | 572,949 |
| Due from other governments | 254,869 |
| Due from fiduciary funds | 58 |
| Other | 323,072 |
| Inventories | 9,211 |
| Net pension asset - proportionate share | 6,248,475 |
| Capital assets, net | <u>32,109,277</u> |
| Total Assets | <u>55,184,792</u> |
| <i>DEFERRED OUTFLOWS OF RESOURCES</i> | |
| Pensions | <u>3,271,186</u> |
| Total Deferred Outflows of Resources | <u>3,271,186</u> |
| <i>LIABILITIES</i> | |
| Payables: | |
| Accounts payable | 161,593 |
| Accrued liabilities | 48,378 |
| Due to other governments | 563 |
| Bond interest and matured bonds | 11,156 |
| Due to teachers' retirement system | 1,294,870 |
| Due to employees' retirement system | 149,194 |
| Unearned credits: | |
| Unearned revenues - other | 14,212 |
| Long-term liabilities: | |
| Due and payable within one year: | |
| Bonds payable | 1,687,755 |
| Compensated absences payable | 96,296 |
| Other post employment benefits payable | 1,470,625 |
| Due and payable after one year: | |
| Bonds payable | 7,012,245 |
| Compensated absences payable | 545,676 |
| Other post employment benefits payable | 18,433,338 |
| Net pension liability - proportionate share | <u>1,863,452</u> |
| Total Liabilities | <u>32,789,353</u> |
| <i>DEFERRED INFLOWS OF RESOURCES</i> | |
| Deferred bond premium | 59,732 |
| Pensions | <u>2,377,503</u> |
| Total Deferred Inflows of Resources | <u>2,437,235</u> |
| <i>NET POSITION</i> | |
| Net investment in capital assets | 23,409,277 |
| Restricted for: | |
| Capital | 4,084,472 |
| Other legal restrictions | 6,239,367 |
| Unrestricted | <u>(10,503,726)</u> |
| Total Net Position | <u>\$ 23,229,390</u> |

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

| | | Program Revenues | | Net (Expense) |
|--|--------------|-------------------------|---------------------|---|
| | Expenses | Charges for Services | Operating Grants | Revenue and Changes in Net Position |
| FUNCTIONS/PROGRAMS | | | | |
| General support | \$ 3,077,632 | \$ 0 | \$ 0 | \$ 3,077,632 |
| Instruction | 13,214,203 | (113,767) | (537,669) | 12,562,767 |
| Pupil transportation | 1,637,220 | 0 | (105,866) | 1,531,354 |
| Community service | 278,107 | (1,381) | 0 | 276,726 |
| Employee benefits | 9,208,764 | (113,112) | (71,335) | 9,024,317 |
| Debt service | 246,290 | 0 | 0 | 246,290 |
| Depreciation | 1,201,665 | 0 | 0 | 1,201,665 |
| School lunch program | 396,162 | (63,992) | (232,548) | 99,622 |
| Total Functions and Programs | 29,260,043 | (292,252) | (947,418) | 28,020,373 |
| GENERAL REVENUES | | | | |
| Real property taxes | | | | 19,844,979 |
| Other tax items | | | | 1,392,587 |
| Use of money and property | | | | 43,179 |
| Sale of property and compensation for loss | | | | 2,334 |
| Miscellaneous | | | | 246,315 |
| State sources | | | | 7,119,593 |
| Medicaid reimbursement | | | | 68,504 |
| Total General Revenues | | | | 28,717,491 |
| Change in Net Position | | | | 697,118 |
| Total Net Position - Beginning of Year | | | | 22,532,272 |
| Total Net Position - End of Year | | | | \$ 23,229,390 |

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016

| | General | Non-Major | Governmental Funds |
|-------------------------------------|---------------|------------|-----------------------|
| ASSETS | | | |
| Cash: | | | |
| Unrestricted | \$ 5,096,614 | \$ 246,428 | \$ 5,343,042 |
| Restricted | 10,323,839 | 0 | 10,323,839 |
| Receivables: | | | |
| Due from other funds | 346,840 | 0 | 346,840 |
| State and Federal aid | 202,760 | 370,189 | 572,949 |
| Due from other governments | 254,869 | 0 | 254,869 |
| Other | 29,853 | 8,706 | 38,559 |
| Inventories | 0 | 9,211 | 9,211 |
| Total Assets | \$ 16,254,775 | \$ 634,534 | \$ 16,889,309 |
| LIABILITIES | | | |
| Payables: | | | |
| Accounts payable | \$ 155,248 | \$ 6,345 | \$ 161,593 |
| Accrued liabilities | 1,508,458 | 10,545 | 1,519,003 |
| Due to other funds | 0 | 346,782 | 346,782 |
| Due to other governments | 0 | 563 | 563 |
| Due to teachers' retirement system | 1,294,870 | 0 | 1,294,870 |
| Due to employees' retirement system | 134,197 | 14,997 | 149,194 |
| Unearned credits: | | | |
| Unearned revenues | 300 | 13,912 | 14,212 |
| Total Liabilities | 3,093,073 | 393,144 | 3,486,217 |
| FUND BALANCES | | | |
| Non Spendable | 0 | 9,211 | 9,211 |
| Restricted | 10,323,839 | 0 | 10,323,839 |
| Assigned | 1,616,166 | 232,179 | 1,848,345 |
| Unassigned | 1,221,697 | 0 | 1,221,697 |
| Total Fund Balances | 13,161,702 | 241,390 | 13,403,092 |
| Total Liabilities and Fund Balances | \$ 16,254,775 | \$ 634,534 | \$ 16,889,309 |

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

| | |
|--|---------------|
| Return of OPEB accrual from BOCES | 284,513 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 32,109,277 |
| Long-term liabilities, including bonds payable, compensated absences, and post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds. | (27,775,310) |
| Accrued interest on long-term debt is reported in the Statement of Net Position, regardless of when due. In the governmental funds, interest is not reported until it is due. | (11,156) |
| Proportionate share of long-term asset and liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds | 5,278,706 |
| Premium (net) on the issuance of bonds are capitalized and amortized in the District-wide statements. | (59,732) |
| Net Position of Governmental Activities | \$ 23,229,390 |

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF NET CHANGE IN GOVERNMENTAL FUND
BALANCES TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION**

JUNE 30, 2016

Total net changes in fund balances - governmental funds \$ 1,303,419

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

| | | | |
|--|---|----------------|-----------|
| | Depreciation expense | \$ (1,201,665) | |
| | Proceeds from sale of capital assets/loss on disposal | 2,155 | |
| | Capital outlays | <u>461,441</u> | (738,069) |

In the Statement of Activities, certain operating expenses--compensated absences (vacations), special termination benefits (early retirement) and retirees' health insurance--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*). (2,800,631)

Return of OPEB Accrual from BOCES (94,838)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,420,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,555

Current amortization of deferred premium earned on the refunding of debt 19,910

(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 the governmental funds 1,585,772

Change in net position of governmental activities. \$ 697,118

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

| | Total Governmental Funds | Long-Term Assets, Liabilities | Reclassifications and Eliminations | Statement of Net Position Totals |
|--|--------------------------------|-------------------------------------|--|--|
| ASSETS | | | | |
| Cash: | | | | |
| Unrestricted | \$ 5,343,042 | \$ 0 | \$ 0 | \$ 5,343,042 |
| Restricted investments | 10,323,839 | 0 | 0 | 10,323,839 |
| Receivables: | | | | |
| Due from other funds | 346,840 | 0 | (346,782) | 58 |
| State and Federal aid | 572,949 | 0 | 0 | 572,949 |
| Due from other governments | 254,869 | 0 | 0 | 254,869 |
| Other | 38,559 | 284,513 | 0 | 323,072 |
| Inventories | 9,211 | 0 | 0 | 9,211 |
| Net pension asset - proportionate share | 0 | 6,248,475 | 0 | 6,248,475 |
| Capital assets, net | 0 | 32,109,277 | 0 | 32,109,277 |
| Total Assets | <u>16,889,309</u> | <u>38,642,265</u> | <u>(346,782)</u> | <u>55,184,792</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pensions | 0 | 3,271,186 | 0 | 3,271,186 |
| Total Deferred Outflows of Resources | 0 | 3,271,186 | 0 | 3,271,186 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 16,889,309</u> | <u>\$ 41,913,451</u> | <u>\$ (346,782)</u> | <u>\$ 58,455,978</u> |
| LIABILITIES | | | | |
| Payables: | | | | |
| Accounts payable | \$ 161,593 | \$ 0 | \$ 0 | \$ 161,593 |
| Accrued liabilities | 1,519,003 | 0 | (1,470,625) | 48,378 |
| Due to other funds | 346,782 | 0 | (346,782) | 0 |
| Due to other governments | 563 | 0 | 0 | 563 |
| Bond interest and matured bonds | 0 | 11,156 | 0 | 11,156 |
| Due to teachers' retirement system | 1,294,870 | 0 | 0 | 1,294,870 |
| Due to employees' retirement system | 149,194 | 0 | 0 | 149,194 |
| Unearned credits: | | | | |
| Unearned revenues | 14,212 | 0 | 0 | 14,212 |
| Long-term liabilities: | | | | |
| Bonds payable | 0 | 8,700,000 | 0 | 8,700,000 |
| Compensated absences payable | 0 | 641,972 | 0 | 641,972 |
| Other post-employment benefits payable | 0 | 18,433,338 | 1,470,625 | 19,903,963 |
| Net pension liability - proportionate share | 0 | 1,863,452 | 0 | 1,863,452 |
| Total Liabilities | <u>3,486,217</u> | <u>29,649,918</u> | <u>(346,782)</u> | <u>32,789,353</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred bond premium | 0 | 59,732 | 0 | 59,732 |
| Pensions | 0 | 2,377,503 | 0 | 2,377,503 |
| Total Deferred Inflows of Resources | <u>0</u> | <u>2,437,235</u> | <u>0</u> | <u>2,437,235</u> |
| FUND BALANCE/NET POSITION | | | | |
| Total Fund Balance/Net Position | <u>13,403,092</u> | <u>9,826,298</u> | <u>0</u> | <u>23,229,390</u> |
| Total Liabilities, Deferred Inflows of Reserves and Fund Balance/Net Position | <u>\$ 16,889,309</u> | <u>\$ 41,913,451</u> | <u>\$ (346,782)</u> | <u>\$ 58,455,978</u> |

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>General</u> | <u>Non-Major</u> | <u>Governmental Funds</u> |
|---|----------------------|-------------------|-------------------------------|
| REVENUES | | | |
| Real property taxes | \$ 19,844,979 | \$ 0 | \$ 19,844,979 |
| Other tax items | 1,392,587 | 0 | 1,392,587 |
| Charges for services | 113,767 | 1,381 | 115,148 |
| Use of money and property | 43,179 | 0 | 43,179 |
| Sale of property and compensation for loss | 179 | 0 | 179 |
| Miscellaneous | 172,075 | 100,374 | 272,449 |
| State sources | 7,119,593 | 223,539 | 7,343,132 |
| Medicaid reimbursement | 68,504 | 0 | 68,504 |
| Federal sources | 0 | 668,259 | 668,259 |
| Surplus food | 0 | 29,486 | 29,486 |
| Sales - school lunch | 0 | 177,104 | 177,104 |
| Total Revenues | <u>28,754,863</u> | <u>1,200,143</u> | <u>29,955,006</u> |
| EXPENDITURES | | | |
| General support | 3,051,118 | 0 | 3,051,118 |
| Instruction | 12,606,625 | 650,059 | 13,256,684 |
| Pupil transportation | 1,531,354 | 105,866 | 1,637,220 |
| Community service | 0 | 278,107 | 278,107 |
| Employee benefits | 7,712,883 | 289,539 | 8,002,422 |
| Debt service: | | | |
| Principal | 1,420,000 | 0 | 1,420,000 |
| Interest | 267,755 | 0 | 267,755 |
| Cost of sales | 0 | 396,162 | 396,162 |
| Capital outlay | 0 | 342,119 | 342,119 |
| Total Expenditures | <u>26,589,735</u> | <u>2,061,852</u> | <u>28,651,587</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>2,165,128</u> | <u>(861,709)</u> | <u>1,303,419</u> |
| OTHER FINANCING SOURCES AND USES | | | |
| Operating transfers in | 41,605 | 856,277 | 897,882 |
| Operating transfers (out) | <u>(856,277)</u> | <u>(41,605)</u> | <u>(897,882)</u> |
| Total Other Sources (Uses) | <u>(814,672)</u> | <u>814,672</u> | <u>0</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 1,350,456 | (47,037) | 1,303,419 |
| Fund Balances - Beginning of Year | <u>11,811,246</u> | <u>288,427</u> | <u>12,099,673</u> |
| Fund Balances - End of Year | <u>\$ 13,161,702</u> | <u>\$ 241,390</u> | <u>\$ 13,403,092</u> |

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

| | Total Governmental Funds | Long-Term Revenue, Expenses | Capital Related Items | Long-Term Debt Transactions | Statement of Activities Totals |
|---|--------------------------------|-----------------------------------|-----------------------------|-----------------------------------|--------------------------------------|
| REVENUES | | | | | |
| Real property taxes | \$ 19,844,979 | \$ 0 | \$ 0 | \$ 0 | \$ 19,844,979 |
| Other tax items | 1,392,587 | 0 | 0 | 0 | 1,392,587 |
| Charges for services | 115,148 | 0 | 0 | 0 | 115,148 |
| Use of money and property | 43,179 | 0 | 0 | 0 | 43,179 |
| Sale of property and compensation for loss | 179 | 0 | 2,155 | 0 | 2,334 |
| Miscellaneous | 272,449 | 0 | 0 | 0 | 272,449 |
| State sources | 7,343,132 | 0 | 0 | 0 | 7,343,132 |
| Medicaid reimbursement | 68,504 | 0 | 0 | 0 | 68,504 |
| Federal sources | 668,259 | 0 | 0 | 0 | 668,259 |
| Surplus food | 29,486 | 0 | 0 | 0 | 29,486 |
| Sales - school lunch | 177,104 | 0 | 0 | 0 | 177,104 |
| Total Revenues | 29,955,006 | 0 | 2,155 | 0 | 29,957,161 |
| EXPENDITURES/EXPENSES | | | | | |
| General support | 3,051,118 | 94,838 | (68,324) | 0 | 3,077,632 |
| Instruction | 13,256,684 | 8,517 | (50,998) | 0 | 13,214,203 |
| Pupil transportation | 1,637,220 | 0 | 0 | 0 | 1,637,220 |
| Community service | 278,107 | 0 | 0 | 0 | 278,107 |
| Employee benefits | 8,002,422 | 1,206,342 | 0 | 0 | 9,208,764 |
| Debt service | 1,687,755 | (1,555) | 0 | (1,439,910) | 246,290 |
| Cost of sales | 396,162 | 0 | 0 | 0 | 396,162 |
| Capital outlay | 342,119 | 0 | (342,119) | 0 | 0 |
| Depreciation | 0 | 0 | 1,201,665 | 0 | 1,201,665 |
| Total Expenditures/Expenses | 28,651,587 | 1,308,142 | 740,224 | (1,439,910) | 29,260,043 |
| Excess (Deficiency) of Revenues Over Expenditures/Expenses | 1,303,419 | (1,308,142) | (738,069) | 1,439,910 | 697,118 |
| OTHER SOURCES AND USES | | | | | |
| Operating transfers in | 897,882 | (897,882) | 0 | 0 | 0 |
| Operating transfers (out) | (897,882) | 897,882 | 0 | 0 | 0 |
| Total Other Sources (Uses) | 0 | 0 | 0 | 0 | 0 |
| Net Change for the Year | \$ 1,303,419 | \$ (1,308,142) | \$ (738,069) | \$ 1,439,910 | \$ 697,118 |

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

| | | Private Purpose Trusts | Agency |
|----------------------------------|--|------------------------------|-----------|
| ASSETS | | | |
| Cash | | \$ 139,992 | \$ 74,783 |
| Total Assets | | \$ 139,992 | \$ 74,783 |
| LIABILITIES | | | |
| Due to other funds | | \$ 0 | \$ 58 |
| Extraclassroom activity balances | | 0 | 74,680 |
| Other liabilities | | 0 | 45 |
| Total Liabilities | | 0 | \$ 74,783 |
| NET POSITION | | | |
| Reserved for scholarships | | \$ 139,992 | |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

| | Private Purpose Trusts |
|----------------------------------|------------------------------|
| ADDITIONS: | |
| Contributions | \$ 19,783 |
| Interest | 200 |
| Total Additions | 19,983 |
| DEDUCTIONS: | |
| Scholarships and Awards | 22,020 |
| Change in Net Position | (2,037) |
| Net Position - Beginning of Year | 142,029 |
| Net Position - End of Year | \$ 139,992 |

See notes to basic financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Reporting Entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

-- Extra classroom Activity Funds:

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

B. Joint Venture:

The District is a component district in the Questar III (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$1,910,580 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$420,365.

The basic financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation:

I. District-Wide Statements:

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

II. Funds Statements:

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

The District reports the following major governmental funds:

a. General Fund:

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

The District reports the following non-major governmental funds:

a. Special Revenue Funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Special revenue funds include the following fund:

1. School Lunch Fund - School Lunch Fund is used to account for transactions of lunch, breakfast, and milk programs.
2. Special Aid Fund - Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal funds or state or local grants.
3. Library Fund—Library Fund is used to record transactions of a library established and sponsored by the School District.
4. Miscellaneous Special Revenue Fund – Miscellaneous Special Revenue Fund is used to account for those revenues that are legally restricted to expenditures for a specific purpose.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

b. Capital Projects Fund:

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

The District reports the following fiduciary funds:

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

1. Private Purpose Trust Funds – These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
2. Agency Funds – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extra classroom activity funds and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting:

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year, including real property taxes.

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

E. Cash and Investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

F. Property Taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 12, 2014. Taxes are collected during the period September 1 to November 1.

Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

G. Accounts Receivable:

An allowance for uncollectible accounts has been provided for certain amounts that may not be collectible within 365 days.

H. Inventories and Prepaid Items:

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

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

I. Interfund Transactions:

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

I. Interfund Transactions – (Continued):

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

Refer to Note 6 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

J. Other Assets/Restricted Assets:

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

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

K. Capital Assets:

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

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

| | <u>Threshold</u> | <u>Method</u> | <u>Useful Life</u> |
|---------------------------|------------------|---------------|--------------------|
| Site improvements | \$1,000 | Straight-Line | 20 Years |
| Building and improvements | \$1,000 | Straight-Line | 15-50 Years |
| Machinery and equipment | \$1,000 | Straight-Line | 5-20 Years |
| Vehicles | \$1,000 | Straight-Line | 5-8 Years |

L. Vested Employee Benefits:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a first-in, first-out (FIFO) basis. Upon retirement or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the rates in effect at year end as defined in the contractual bargaining agreement.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

L. Vested Employee Benefits – (Continued):

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District and have completed 10 years of continuous service. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. Some costs of providing post-retirement benefits are shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

M. Budgetary Procedures and Budgetary Accounting:

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

— General Fund

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted.

Supplemental appropriations occurred during the year and are detailed below:

| | |
|---------------------------|---------------------|
| Adopted budget | \$29,901,041 |
| Gifts & Donations | 579 |
| Reserve Disbursements | 61,930 |
| Bullet Aid | 60,000 |
| Prior Year's Encumbrances | <u>216,477</u> |
| Revised Budget | <u>\$30,240,027</u> |

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

N. Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. There are two items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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

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

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

| | <u>ERS</u> | <u>TRS</u> |
|--|---------------|---------------|
| Actuarial valuation date | April 1, 2015 | June 30, 2014 |
| Net pension asset (liability) | \$(1,863,452) | \$6,248,475 |
| District's portion of the Plan's total net pension asset (liability) | 0.0116101% | 0.060158% |

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

N. Deferred Outflows and Inflows of Resources - (Continued):

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

For the year ended June 30, 2016, the District's recognized pension expense of \$587,994 for ERS and \$1,291,765 for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|-----------------------------------|---------------------|----------------------------------|---------------------|
| | ERS | TRS | ERS | TRS |
| Differences between expected and actual experience | \$ 9,416 | \$ 0 | \$ 220,881 | \$ 173,172 |
| Changes of assumptions | 496,926 | 0 | 0 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 1,105,502 | 0 | 0 | 1,975,176 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 163,283 | 55,100 | 0 | 8,274 |
| District's contributions subsequent to the measurement date | 149,194 | 1,291,765 | 0 | 0 |
| Total | \$ 1,924,321 | \$ 1,346,865 | \$ 220,881 | \$ 2,156,622 |

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, 2016. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

| Year ended: | ERS | TRS |
|-------------|------------|--------------|
| 2017 | \$ 398,627 | \$ (791,310) |
| 2018 | 398,627 | (791,310) |
| 2019 | 398,627 | 333,836 |
| 2020 | 357,812 | (16,230) |
| 2021 | 0 | (45,196) |
| Thereafter | 0 | 0 |

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

N. Deferred Outflows and Inflows of Resources - (Continued):

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

| | <u>ERS</u> | <u>TRS</u> |
|--------------------------|-----------------------------------|---------------------------------|
| Measurement date | March 31, 2016 | June 30, 2015 |
| Actuarial valuation date | April 1, 2015 | June 30, 2014 |
| Interest rate | 7.0% | 8.0% |
| Salary scale | 3.8% | 4.01 - 10.91% |
| Decrement tables | April 1, 2010 - March 31, 2015 | July 1, 2005 - June 30, 2010 |
| | Systems experience | Systems experience |
| Inflation rate | 2.5% | 3.0% |

For ERS, annuitant mortality rates are based on April 1, 2010 through March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 through June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010.

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

N. Deferred Outflows and Inflows of Resources - (Continued):

Actuarial Assumptions (Continued)

| | <u>ERS</u> | <u>TRS</u> |
|--|----------------|---------------|
| Measurement date | March 31, 2016 | June 30, 2015 |
| <u>Asset type</u> | | |
| Domestic equity | 7.30% | 6.50% |
| International equity | 8.55 | 7.70 |
| Real estate | 8.25 | 4.60 |
| Domestic fixed income securities | 0 | 2.10 |
| Global fixed income securities | 0 | 1.90 |
| Mortgages | 0 | 3.40 |
| Short-term | 0 | 2.30 |
| Private equity/alternative investments | 11.00 | 9.90 |
| Absolute return strategies | 6.75 | 0 |
| Opportunistic portfolio | 8.60 | 0 |
| Real assets | 8.65 | 0 |
| Bonds and mortgages | 4.00 | 0 |
| Cash | 2.25 | 0 |
| Inflation index bonds | 4.00 | 0 |

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.0% for ERS and 8.0% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0% for ERS and 7.0% for TRS) or 1 percentage point higher (8.0% for ERS and 9.0% for TRS) than the current rate:

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

N. Deferred Outflows and Inflows of Resources - (Continued):

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

| <u>ERS</u> | <u>1% Decrease (6.0%)</u> | <u>Current Assumption (7.0%)</u> | <u>1% Increase (8.0%)</u> |
|---|-----------------------------------|--|-----------------------------------|
| Employer's proportionate share of the net pension asset (liability) | \$(4,201,948) | \$(1,863,452) | \$ 112,478 |
| | | | |
| <u>TRS</u> | <u>1% Decrease (7.0%)</u> | <u>Current Assumption (8.0%)</u> | <u>1% Increase (9.0%)</u> |
| Employer's proportionate share of the net pension asset (liability) | \$ (426,227) | \$ 6,248,475 | \$11,940,594 |

Pension Plan Fiduciary Net Position

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

| | (Dollars in thousands) | | |
|--|------------------------|------------------|-----------------|
| | <u>ERS</u> | <u>TRS</u> | <u>Total</u> |
| Valuation date | April 1, 2015 | June 30, 2014 | |
| Employers' total pension asset (liability) | \$(172,303,544) | \$ (99,332,104) | \$(271,635,648) |
| Plan net position asset (liability) | 156,253,265 | 109,718,917 | 265,972,182 |
| Employers' net pension asset (liability) | (16,050,279) | 10,386,813 | (5,663,446) |
| | | | |
| Ratio of plan net position to the employers' total pension asset (liability) | 90.7% | 110.5% | 97.9% |

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$149,194.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November, 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amount to \$1,294,870.

Additional pension information can be found in Note 7.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

O. Restricted Resources:

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

P. 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.

Q. Short-Term Debt:

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

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

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

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

The District had no short-term debt at June 30, 2016.

R. Accrued Liabilities and Long-Term Obligations:

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

S. Equity Classifications:

I. District-Wide Statements:

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

- a. *Net Investment in Capital Assets* – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.
- b. *Restricted Net Assets* – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Assets* – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

II. Funds Statements:

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

- a. 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 \$9,211.
- b. 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 unless otherwise noted:

1. Capital Reserve:

Capital Reserve (Education Law §3651) is 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.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

S. Equity Classifications – (Continued):

II. Funds Statements - (Continued):

2. Debt Service (*Not currently utilized*):

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

3. Employee Benefit Accrued Liability:

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

4. Insurance:

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

5. Liability Claims and Property Loss (*Not currently utilized*):

According to Education Law §1709(8) (c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000.

6. Repairs (*Not currently utilized*):

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

S. Equity Classifications (Continued):

II. Funds Statements (Continued):

7. 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.

8. Tax Certiorari:

According to Education 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.

9. Unemployment Insurance:

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

10. Workers' Compensation:

According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. 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.

11. 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 for specific purposes for which resources already have been restricted, committed or assigned do not result in separate display of the encumbered amounts within those classifications/funds.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

S. Equity Classifications (Continued):

II. Funds Statements (Continued):

Restricted fund balance includes the following:

General Fund:

| | |
|---|--------------|
| Capital Reserve | \$2,084,472 |
| Capital Reserve 2 | 2,000,000 |
| Employee Benefits Accrued Liability Reserve | 1,609,445 |
| Insurance Reserve | 300,000 |
| Workers Compensation Reserve | 1,072,572 |
| Retirement Contributions Reserve | 2,845,246 |
| Tax Certiorari Reserve | 59,695 |
| Unemployment reserve | 352,409 |
| Total Restricted Funds | \$10,323,839 |

- c. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. Based on the interpretation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, from the New York State Comptroller's office, the District has no committed fund balance as of June 30, 2016.
- d. Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$274,566. Additionally, \$1,341,600 has been assigned for the 2016-2017 tax levy.
- e. Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Non-spendable 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.

III. Order of Use of Fund Balance:

The District's policy is to apply expenditures against non-spendable 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, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

S. Equity Classifications (Continued):

III. Order of Use of Fund Balance – (Continued):

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 determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

T. New Accounting Standards:

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the District implemented the following new standards issued by GASB:

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

U. Future Changes in Accounting Standards:

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

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

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

See the Reconciliation on Pages 18 and 20 of the financial statement.

The costs of buildings and acquiring capital assets (lands, 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 of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. See *Note 4 – Capital Assets* in these notes to the financial statements for information on the net capital assets of \$32,109,277.

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

| | |
|---|--------------|
| Bonds payable | \$ 7,012,245 |
| OPEB Obligation | 18,433,338 |
| Compensated Absences | 545,676 |
| Net pension liability – proportionate share | 1,863,452 |

Accrued interest on long-term debt is reported in the Statement of Net Position, regardless of when due. In the Governmental Funds, interest is not reported until it is due.

| | |
|-----------------------|-----------|
| Bond Interest Payable | \$ 11,156 |
|-----------------------|-----------|

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

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

I. Long-Term Revenue Differences:

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

II. Capital Related Differences:

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

III. Long-Term Debt Transaction Differences:

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

IV. Pension Differences

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

NOTE 3 – CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS:

Cash:

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

As of June 30, 2016, \$-0- of the District's bank balance of \$14,891,098 was exposed to custodial credit risk as follows:

| | | |
|---|----|---------------|
| Uncollateralized | \$ | 0 |
| Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name | \$ | 25,268,641.93 |

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$214,775 in fiduciary funds and \$10,320,270 in the governmental funds.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Construction in progress | \$ 57,520 | \$ 0 | \$ (57,520) | \$ 0 |
| Land | <u>4,014,931</u> | <u>0</u> | <u>0</u> | <u>4,014,931</u> |
| Total nondepreciable historical cost | 4,072,451 | 0 | (57,520) | 4,014,931 |
| Capital assets that are depreciated: | | | | |
| Building and improvements | 40,536,524 | 1,808 | 0 | 40,538,332 |
| Furniture and equipment | 3,784,474 | 174,484 | (12,038) | 3,946,920 |
| Vehicles | <u>3,236,002</u> | <u>342,119</u> | <u>(207,428)</u> | <u>3,370,693</u> |
| Total depreciable historical cost | <u>47,557,000</u> | <u>518,411</u> | <u>(219,466)</u> | <u>47,855,945</u> |
| Less accumulated depreciation: | | | | |
| Building and improvements | 13,618,607 | 757,708 | 0 | 14,376,315 |
| Furniture and equipment | 2,840,094 | 215,030 | (14,364) | 3,040,760 |
| Vehicles | <u>2,323,404</u> | <u>228,927</u> | <u>(207,807)</u> | <u>2,344,524</u> |
| Total accumulated depreciation | <u>18,782,105</u> | <u>1,201,665</u> | <u>(222,171)</u> | <u>19,761,599</u> |
| Total depreciable historical cost, net | <u>28,774,895</u> | <u>(683,254)</u> | <u>2,705</u> | <u>28,094,346</u> |
| Total | <u>\$32,847,346</u> | <u>\$ (683,254)</u> | <u>\$ (54,815)</u> | <u>\$32,109,277</u> |

NOTE 5 – LONG-TERM DEBT:

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

| | |
|---------------------------------|-------------------|
| Interest paid | \$ 267,755 |
| Amortization of Bond Premium | (19,910) |
| Accrued interest, June 30, 2015 | (12,711) |
| Accrued interest, June 30, 2016 | <u>11,156</u> |
| | <u>\$ 246,290</u> |

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5 – LONG-TERM DEBT – (CONTINUED):

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

| | Beginning | | | Ending | Amounts |
|--------------------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
| | Balance | Issued | Redeemed | Balance | Due Within |
| | | | | | One Year |
| Government activities: | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation debt: | | | | | |
| Serial bonds construction | \$ 2,765,000 | \$ 0 | \$ 205,000 | \$ 2,560,000 | \$ 259,850 |
| Serial bonds construction | 3,525,000 | 0 | 300,000 | 3,225,000 | 417,705 |
| Serial bonds refunding | 3,830,000 | 0 | 915,000 | 2,915,000 | 1,010,200 |
| Total bonds and notes payable | <u>10,120,000</u> | <u>0</u> | <u>1,420,000</u> | <u>8,700,000</u> | <u>1,687,755</u> |
| Other liabilities: | | | | | |
| Teachers Retirement System | 1,682,650 | 1,294,870 | 1,682,650 | 1,294,870 | 1,294,870 |
| Employees Retirement System | 183,044 | 149,194 | 183,044 | 149,194 | 149,194 |
| Other Post Employment Benefits | 17,111,489 | 4,193,057 | 1,400,583 | 19,903,963 | 1,470,625 |
| Compensated absences | 633,455 | 8,517 | 0 | 641,972 | 96,296 |
| Total other liabilities | <u>19,610,638</u> | <u>5,645,638</u> | <u>3,266,277</u> | <u>21,989,999</u> | <u>3,010,985</u> |
| Total long-term liabilities | <u>\$ 29,730,638</u> | <u>\$ 5,645,638</u> | <u>\$ 4,686,277</u> | <u>\$ 30,689,999</u> | <u>\$ 4,698,740</u> |

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

| Description of Issue | Issue Date | Final Maturity | Interest Rate | Outstanding at 06/30/16 |
|---------------------------|---------------|-------------------|------------------|----------------------------|
| Serial Bonds: | | | | |
| Serial Bond Refunding | 2012 | 2019 | 2.00%-3.00% | \$ 2,915,000 |
| Serial Bonds Construction | 2012 | 2026 | 2.75%-3.375% | 3,225,000 |
| Serial Bonds Construction | 2009 | 2025 | 2.75%-3.375% | <u>2,560,000</u> |
| | | | | <u>\$ 8,700,000</u> |

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

| | Bonds | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2017 | \$ 1,460,000 | \$ 227,205 | \$ 1,687,205 |
| 2018 | 1,505,000 | 185,405 | 1,690,405 |
| 2019 | 1,545,000 | 152,055 | 1,697,055 |
| 2020-2023 | 2,375,000 | 374,408 | 2,749,408 |
| 2024-2027 | <u>1,815,000</u> | <u>90,800</u> | <u>1,905,800</u> |
| | <u>\$ 8,700,000</u> | <u>\$ 1,029,873</u> | <u>\$ 9,729,873</u> |

-- Debt Limit:

At June 30, 2016, the total outstanding indebtedness represented approximately 6% of the District's debt limit.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – INTERFUND BALANCES AND ACTIVITY:

| | <u>Interfund</u> | | <u>Interfund</u> | |
|-----------------------------|-------------------|-------------------|-------------------|---------------------|
| | <u>Receivable</u> | <u>Payable</u> | <u>Revenues</u> | <u>Expenditures</u> |
| General Fund | \$ 346,840 | \$ 0 | \$ 41,605 | \$ 856,277 |
| School Lunch Fund | 0 | 0 | 97,197 | 0 |
| Special Aid Fund | 0 | 344,516 | 53,912 | 0 |
| Capital Fund | 0 | 16 | 346,619 | 41,605 |
| Library Fund | 0 | 2,250 | 358,549 | 0 |
| Fiduciary Fund | 0 | 58 | 0 | 0 |
| Total Government Activities | <u>\$ 346,840</u> | <u>\$ 346,840</u> | <u>\$ 897,882</u> | <u>\$ 897,882</u> |

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

In the normal course of its operations, the District budgets for and transfers monies between funds for these budgeted purposes. From the General Fund these represent transferring the District's 20% share of the Special Aid Fund's Summer Handicapped Program and transfers to the Capital Fund for voter authorized capital items such as construction and bus purchases.

Additional loans will occur between funds to mitigate the effects of cash flow, such as in the Special Aid Fund where-in project advances generally do not keep pace with costs and the General Fund has to "loan" cash dollars to run the programs. In the case of the Capital Fund, loans will occur in advance of obtaining the final funding through bond proceeds. In addition, in the case of the Capital Fund interest earned on borrowed funds becomes payable to the Debt Service Fund for the future reduction of debt service payments. In the case of the Agency Fund, most if not all, fringe benefits are advanced from the General Fund and result in the need to reflect a due from both the Special Aid Fund and the School Lunch Fund for the applicable payroll. All interfund payables are expected to be repaid within one year.

NOTE 7 – PENSION PLANS:

A. General Information:

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

B. Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 – PENSION PLANS – (CONTINUED):

B. Plan Descriptions and Benefits Provided (Continued):

Employees' Retirement System (ERS)

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 2, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

| | <u>NYSTRS</u> | <u>NYSERS</u> |
|-----------|---------------|---------------|
| 2015-2016 | \$ 1,291,765 | \$ 587,994 |
| 2014-2015 | 1,682,650 | 652,473 |
| 2013-2014 | 1,575,484 | 661,709 |

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

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

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

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

The District implemented GASB Statement #45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions prospectively, 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 contributions and the actual contributions made.

A. Plan Description:

The District provides post-employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$1,672,591 for its share of insurance premiums.

The District has obtained an actuarial valuation report as of July 1, 2014 which indicates that the total liability for other post-employment benefits is \$19,903,963, which is reflected in the Statement of Net Position.

B. Funding Policy:

The contribution requirements of Plan members and the District are established by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as may be determined annually by the Board. No contributions to prefund benefits were made.

C. 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 (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to HP:

| | |
|--|----------------------|
| Annual required contribution | \$ 4,732,301 |
| Interest on net OPEB obligation | 684,460 |
| Adjustment to annual required contribution | <u>(951,696)</u> |
| Annual OPEB cost (expense) | 4,465,065 |
| Contributions made | <u>(1,672,591)</u> |
| Increase in net OPEB obligation | 2,792,474 |
| Net OPEB obligation—beginning of year | <u>17,111,489</u> |
| Net OPEB obligation—end of year | <u>\$ 19,903,963</u> |

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED):

C. Annual OPEB Cost and Net OPEB Obligation (Continued):

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding years were as follows:

| | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------|-----------------------------|---|--------------------------------|
| 2016 | <u>\$ 4,465,065</u> | 37.5% | <u>\$ 19,903,963</u> |
| 2015 | <u>\$ 4,431,144</u> | 37.3% | <u>\$ 17,111,489</u> |
| 2014 | <u>\$ 4,076,454</u> | 36.0% | <u>\$ 14,334,841</u> |

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$47,931,490, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$47,931,490. The covered payroll (annual payroll of active employees covered by the plan) was \$12,235,813, and the ratio of the UAAL to the covered payroll was 392%. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Actuarial Methods and Assumptions:

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

In the July 1, 2014, actuarial valuation, the Projected Unit Credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 5 years. The actuarial value of assets was not determined as the plan is not currently funded. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

CHATHAM CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 – RISK MANAGEMENT:

General Information:

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

NOTE 10 – CONTINGENT LIABILITIES:

A. Other items:

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

B. Litigation:

There are currently pending tax certiorari proceedings, the results of which could require the payments of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

C. Collective Bargaining Agreements

The District currently has one collective bargaining unit contract that expired June 30, 2014 and is being re-negotiated.

NOTE 11 – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 20, 2016, the date of the issuance of the audit report. There were no issues to report that would have a material effect on the financial statements.

SUPPLEMENTARY INFORMATION

CHATHAM CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2016

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Final Budget Variance With Budgetary Actual |
|--|----------------------|----------------------|-----------------------------|--|
| REVENUES | | | | |
| Local Sources: | | | | |
| Real Property Taxes | \$ 21,187,925 | \$ 21,187,925 | \$ 19,844,979 | \$ (1,342,946) |
| Other Tax Items | 47,653 | 47,653 | 1,392,587 | 1,344,934 |
| Charges for Services | 32,000 | 32,000 | 113,767 | 81,767 |
| Use of Money and Property | 51,716 | 51,716 | 43,179 | (8,537) |
| Sale of Property and Compensation for Loss | 0 | 0 | 179 | 179 |
| Miscellaneous | <u>239,480</u> | <u>240,059</u> | <u>172,075</u> | <u>(67,984)</u> |
| Total Local Sources | 21,558,774 | 21,559,353 | 21,566,766 | 7,413 |
| State Sources | 6,920,667 | 6,980,667 | 7,119,593 | 138,926 |
| Medicaid Reimbursement | <u>80,000</u> | <u>80,000</u> | <u>68,504</u> | <u>(11,496)</u> |
| Total Revenues | 28,559,441 | 28,620,020 | 28,754,863 | 134,843 |
| OTHER FINANCING SOURCES | | | | |
| Transfers from Other Funds | 0 | 0 | 41,605 | 41,605 |
| Appropriated Reserves | 0 | 278,406 | 0 | (278,406) |
| Designated Fund Balance and Encumbrances | | | | |
| Carried Forward From Prior Year | <u>1,341,600</u> | <u>1,341,600</u> | <u>0</u> | <u>(1,341,600)</u> |
| Total Revenues and Other Financing Sources | <u>\$ 29,901,041</u> | <u>\$ 30,240,026</u> | <u>\$ 28,796,468</u> | <u>\$ (1,443,558)</u> |

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

CHATHAM CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Year-End Encumbrances</u> | <u>Final Budget Variance With Budgetary Actual and Encumbrances</u> |
|--|----------------------------|-------------------------|-------------------------------------|----------------------------------|---|
| <i>EXPENDITURES</i> | | | | | |
| General Support: | | | | | |
| Board of Education | \$ 24,962 | \$ 28,443 | \$ 21,674 | \$ 0 | \$ 6,769 |
| Central administration | 260,386 | 261,358 | 257,769 | 0 | 3,589 |
| Finance | 487,568 | 482,424 | 424,675 | 373 | 57,376 |
| Staff | 224,985 | 229,353 | 195,330 | 1,846 | 32,177 |
| Central services | 2,225,746 | 2,406,957 | 1,881,626 | 160,783 | 364,548 |
| Special items | <u>289,630</u> | <u>295,861</u> | <u>270,044</u> | <u>0</u> | <u>25,817</u> |
| Total General Support | <u>3,513,277</u> | <u>3,704,396</u> | <u>3,051,118</u> | <u>163,002</u> | <u>490,276</u> |
| Instruction: | | | | | |
| Instruction, administration and improvement | 1,018,895 | 1,059,052 | 1,019,517 | 14,116 | 25,419 |
| Teaching - regular school | 6,946,111 | 6,938,457 | 6,478,432 | 56,546 | 403,479 |
| Programs for children with handicapping conditions | 3,070,613 | 3,000,989 | 2,702,231 | 5,420 | 293,338 |
| Occupational education | 443,597 | 510,597 | 508,777 | 0 | 1,820 |
| Teaching - special school | 69,993 | 70,034 | 48,266 | 802 | 20,966 |
| Instructional media | 608,417 | 800,767 | 739,998 | 25,600 | 35,169 |
| Pupil services | <u>1,222,033</u> | <u>1,227,706</u> | <u>1,109,404</u> | <u>8,416</u> | <u>109,886</u> |
| Total Instruction | <u>13,379,659</u> | <u>13,607,602</u> | <u>12,606,625</u> | <u>110,900</u> | <u>890,077</u> |
| Pupil Transportation | <u>1,867,616</u> | <u>1,784,935</u> | <u>1,531,354</u> | <u>367</u> | <u>253,214</u> |
| Employee Benefits | <u>8,468,074</u> | <u>8,470,679</u> | <u>7,712,883</u> | <u>297</u> | <u>757,499</u> |
| Debt Service: | | | | | |
| Principal | 1,420,000 | 1,420,000 | 1,420,000 | 0 | 0 |
| Interest | <u>272,755</u> | <u>272,755</u> | <u>267,755</u> | <u>0</u> | <u>5,000</u> |
| Total Debt Service | <u>1,692,755</u> | <u>1,692,755</u> | <u>1,687,755</u> | <u>0</u> | <u>5,000</u> |
| Total Expenditures | 28,921,381 | 29,260,367 | 26,589,735 | 274,566 | 2,396,066 |
| <i>OTHER FINANCING USES</i> | | | | | |
| Operating transfers out | <u>979,660</u> | <u>979,660</u> | <u>856,277</u> | <u>0</u> | <u>123,383</u> |
| Total Expenditures and Other Uses | <u>\$ 29,901,041</u> | <u>\$ 30,240,027</u> | <u>\$ 27,446,012</u> | <u>\$ 274,566</u> | <u>\$ 2,519,449</u> |
| Net change in fund balances | | | \$ 1,350,456 | | |
| Fund balance - beginning | | | <u>11,811,246</u> | | |
| Fund balance - ending | | | <u>\$ 13,161,702</u> | | |

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

CHATHAM CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS OTHER POST-EMPLOYMENT BENEFITS PLAN

FOR THE YEAR ENDED JUNE 30, 2016

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Fund Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|---------------------------------|---------------------|---------------------------|--|
| July 1, 2010 | \$ 0 | \$ 40,012,031 | \$ 40,012,031 | 0% | \$ 14,179,470 | 282% |
| July 1, 2012 | \$ 0 | \$ 46,013,101 | \$ 46,013,101 | 0% | \$ 12,481,880 | 369% |
| July 1, 2014 | \$ 0 | \$ 47,931,490 | \$ 47,931,490 | 0% | \$ 12,235,813 | 392% |

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

CHATHAM CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| NYS EMPLOYEES' RETIREMENT SYSTEM | 2016 | 2015 |
|---|----------------|----------------|
| District's proportion of the net pension liability (asset) | 0.0116101% | 0.0115037% |
| District's proportionate share of the net pension liability (asset) | \$ 1,863,452 | \$ 388,625 |
| District's covered-employee payroll | 3,356,997 | 3,460,893 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 55.5% | 11.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.7% | 97.9% |
| NYS TEACHERS' RETIREMENT SYSTEM | | |
| District's proportion of the net pension liability (asset) | 0.060158% | 0.061922% |
| District's proportionate share of the net pension liability (asset) | \$ (6,248,475) | \$ (6,897,713) |
| District's covered-employee payroll | 9,452,045 | 9,286,914 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 66.1% | 74.3% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 110.50% | 111.48% |

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

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

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| NYS EMPLOYEES' RETIREMENT SYSTEM | | |
| Contractually required contribution | \$ 627,902 | \$ 649,502 |
| Contributions in relation to the contractually required contribution | <u>627,902</u> | <u>649,502</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> |
| District's covered-employee payroll | \$ 3,356,997 | \$ 3,460,893 |
| Contribution as a percentage of covered-employee payroll | 18.70% | 18.77% |
| NYS TEACHERS' RETIREMENT SYSTEM | | |
| Contractually required contribution | \$ 1,253,341 | \$ 1,591,900 |
| Contributions in relation to the contractually required contribution | <u>1,575,000</u> | <u>1,591,900</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> |
| District's covered-employee payroll | \$ 9,452,045 | \$ 9,286,045 |
| Contribution as a percentage of covered-employee payroll | 13.26% | 17.14% |

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

CHATHAM CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | |
|--|----------------------|
| Adopted Budget | \$ 29,901,041 |
| Add: Prior Year's Encumbrances | <u>216,477</u> |
| Original Budget | 30,117,518 |
| Budget Revisions: | |
| Increase budget for use of Gifts and Donations | 579 |
| Increase budget for use of Workers' Compensation Insurance Reserve | 60,000 |
| Increase budget for use of Tax Certiorari Reserve | 1,930 |
| Increase budget for use of State Aid- Bullet Aid | <u>60,000</u> |
| Final Budget | <u>\$ 30,240,027</u> |

SECTION 1318 REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|---|---------------------|
| 2016-2017 expenditure budget maximum allowed | \$ 30,542,416 |
| Maximum allowed (4% of 2016-2017 expenditure budget) | 1,221,697 |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | |
| Unrestricted Fund Balance: | |
| Assigned Fund Balance | \$ 1,616,166 |
| Unassigned Fund Balance | <u>1,221,697</u> |
| Total Unrestricted Fund Balance | <u>2,837,863</u> |
| Less: | |
| Appropriated Fund Balance | 1,341,600 |
| Encumbrances included in committed and assigned fund balance | <u>274,566</u> |
| Total Adjustments | <u>1,616,166</u> |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | <u>\$ 1,221,697</u> |
| Actual Percentage | 4.00% |

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

CHATHAM CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2016

| <i>PROJECT TITLE</i> | Original Budget | Revised Budget | Expenditures | | | Unexpended Balance | Methods of Financing | | | Fund Balance | |
|----------------------|--------------------|-------------------|----------------|-------------------|-------------------|-----------------------|---------------------------|-------------|-------------------|-------------------|-------------|
| | | | Prior Years | Current Year | Total | | Proceeds of Obligation | State Aid | Local Sources | | Total |
| Non-Major Projects | | | | | | | | | | | |
| Buses 2016 | \$ 342,119 | \$ 342,119 | \$ 0 | \$ 342,119 | \$ 342,119 | \$ 0 | \$ 0 | \$ 0 | \$ 342,119 | \$ 342,119 | \$ 0 |
| Totals | <u>\$ 342,119</u> | <u>\$ 342,119</u> | <u>\$ 0</u> | <u>\$ 342,119</u> | <u>\$ 342,119</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 342,119</u> | <u>\$ 342,119</u> | <u>\$ 0</u> |

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

CHATHAM CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

| <i>ASSETS</i> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Public Library</u> | <u>CM Misc. Special Revenue</u> | <u>Capital Projects</u> | <u>Total Non-Major</u> |
|--|------------------------|-------------------------|---------------------------|-------------------------------------|-----------------------------|----------------------------|
| Cash: | | | | | | |
| Unrestricted | \$ 3,759 | \$ 137,078 | \$ 61,728 | \$ 43,847 | \$ 16 | \$ 246,428 |
| Receivables: | | | | | | |
| State and Federal aid | 355,046 | 15,143 | 0 | 0 | 0 | 370,189 |
| Other | 0 | 2,522 | 6,184 | 0 | 0 | 8,706 |
| Inventories | <u>0</u> | <u>9,211</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>9,211</u> |
| Total Assets | <u>\$ 358,805</u> | <u>\$ 163,954</u> | <u>\$ 67,912</u> | <u>\$ 43,847</u> | <u>\$ 16</u> | <u>\$ 634,534</u> |
| | | | | | | |
| <i>LIABILITIES</i> | | | | | | |
| Payables: | | | | | | |
| Accounts payable | \$ 2,330 | \$ 0 | \$ 1,357 | \$ 2,658 | \$ 0 | \$ 6,345 |
| Accrued liabilities | 0 | 1,124 | 9,421 | 0 | 0 | 10,545 |
| Due to other funds | 344,516 | 0 | 2,250 | 0 | 16 | 346,782 |
| Due to other governments | 0 | 563 | 0 | 0 | 0 | 563 |
| Due to employees' retirement system | 0 | 7,532 | 7,465 | 0 | 0 | 14,997 |
| Unearned credits: | | | | | | |
| Unearned revenues | <u>11,959</u> | <u>1,953</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>13,912</u> |
| Total Liabilities | <u>358,805</u> | <u>11,172</u> | <u>20,493</u> | <u>2,658</u> | <u>16</u> | <u>393,144</u> |
| | | | | | | |
| <i>FUND BALANCES</i> | | | | | | |
| Non Spendable | 0 | 9,211 | 0 | 0 | 0 | 9,211 |
| Restricted | 0 | 0 | 0 | 0 | 0 | 0 |
| Assigned | <u>0</u> | <u>143,571</u> | <u>47,419</u> | <u>41,189</u> | <u>0</u> | <u>232,179</u> |
| Total Fund Balances | <u>0</u> | <u>152,782</u> | <u>47,419</u> | <u>41,189</u> | <u>0</u> | <u>241,390</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 358,805</u> | <u>\$ 163,954</u> | <u>\$ 67,912</u> | <u>\$ 43,847</u> | <u>\$ 16</u> | <u>\$ 634,534</u> |

See paragraph on supplemental schedules included in the independent auditors' report.

CHATHAM CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMBINED REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2016

| | Special Aid | School Lunch | Public Library | CM Misc. Special Revenue | Capital Projects | Total Non-Major |
|---|-----------------|-------------------|-------------------|-----------------------------|---------------------|--------------------|
| Charges for services | \$ 0 | \$ 0 | \$ 1,381 | \$ 0 | \$ 0 | \$ 1,381 |
| Miscellaneous | 13,648 | 12,486 | 15,916 | 58,321 | 3 | 100,374 |
| State sources | 215,650 | 7,889 | 0 | 0 | 0 | 223,539 |
| Federal sources | 485,572 | 182,687 | 0 | 0 | 0 | 668,259 |
| Surplus food | 0 | 29,486 | 0 | 0 | 0 | 29,486 |
| Sales - school lunch | 0 | 177,104 | 0 | 0 | 0 | 177,104 |
| Total Revenues | <u>714,870</u> | <u>409,652</u> | <u>17,297</u> | <u>58,321</u> | <u>3</u> | <u>1,200,143</u> |
| <i>EXPENDITURES</i> | | | | | | |
| Instruction | 591,581 | 0 | 0 | 58,478 | 0 | 650,059 |
| Pupil transportation | 105,866 | 0 | 0 | 0 | 0 | 105,866 |
| Community service | 0 | 0 | 278,107 | 0 | 0 | 278,107 |
| Employee benefits | 71,335 | 113,112 | 105,092 | 0 | 0 | 289,539 |
| Cost of sales | 0 | 396,162 | 0 | 0 | 0 | 396,162 |
| Capital outlay | 0 | 0 | 0 | 0 | 342,119 | 342,119 |
| Total Expenditures | <u>768,782</u> | <u>509,274</u> | <u>383,199</u> | <u>58,478</u> | <u>342,119</u> | <u>2,061,852</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(53,912)</u> | <u>(99,622)</u> | <u>(365,902)</u> | <u>(157)</u> | <u>(342,116)</u> | <u>(861,709)</u> |
| <i>OTHER FINANCING SOURCES AND USES</i> | | | | | | |
| Operating transfers in | 53,912 | 97,197 | 358,549 | 0 | 346,619 | 856,277 |
| Operating transfers (out) | 0 | 0 | 0 | 0 | (41,605) | (41,605) |
| Total Other Sources (Uses) | <u>53,912</u> | <u>97,197</u> | <u>358,549</u> | <u>0</u> | <u>305,014</u> | <u>814,672</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 0 | (2,425) | (7,353) | (157) | (37,102) | (47,037) |
| Fund Balances - Beginning of Year | 0 | 155,207 | 54,772 | 41,346 | 37,102 | 288,427 |
| Fund Balances - End of Year | <u>\$ 0</u> | <u>\$ 152,782</u> | <u>\$ 47,419</u> | <u>\$ 41,189</u> | <u>\$ 0</u> | <u>\$ 241,390</u> |

CHATHAM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

| | | |
|-------------------------------------|------------------|----------------------|
| Capital Assets, Net | | <u>\$ 32,109,277</u> |
| Deduct: | | |
| Short-Term Portion of Bonds Payable | 1,687,755 | |
| Long-Term Portion of Bonds Payable | <u>7,012,245</u> | |
| Total Deductions | | <u>8,700,000</u> |
| Net Investment in Capital Assets | | <u>\$ 23,409,277</u> |

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chatham Central School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 20, 2016

CHATHAM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Chatham Central School District as of June 30, 2016, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Chatham Central School District as of June 30, 2016, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 20, 2016

CHATHAM CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2016

ASSETS

Cash \$ 74,680

TOTAL ASSETS \$ 74,680

LIABILITIES AND CLUB BALANCES

Club balances \$ 74,680

TOTAL LIABILITIES AND CLUB BALANCES \$ 74,680

See independent auditors' report.

CHATHAM CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2016

| | Balance | | | Balance |
|----------------------------|---------------------|-------------------|----------------------|----------------------|
| | July 1, 2015 | Receipts | Disbursements | June 30, 2016 |
| High School | | | | |
| Band | \$ 2,064 | \$ 752 | \$ 330 | \$ 2,486 |
| Baseball club | 656 | 7,171 | 5,817 | 2,010 |
| Basketball boys | 2,014 | 6,159 | 5,088 | 3,085 |
| Basketball girls | 324 | 1,867 | 1,965 | 226 |
| Choir | 161 | 521 | 517 | 165 |
| Class of 2015 | 2,666 | 0 | 2,666 | 0 |
| Class of 2016 | 7,433 | 5,617 | 12,034 | 1,016 |
| Class of 2017 | 4,974 | 10,403 | 8,962 | 6,415 |
| Class of 2018 | 1,361 | 4,726 | 3,876 | 2,211 |
| Class of 2019 | 0 | 2,793 | 2,153 | 640 |
| Community service club | 1,941 | 1,018 | 975 | 1,984 |
| Drama club | 3,881 | 1,312 | 2,341 | 2,852 |
| Ecology club | 2,026 | 0 | 147 | 1,879 |
| Football club | 568 | 11,369 | 9,810 | 2,127 |
| Literary magazine | 376 | 220 | 279 | 317 |
| National honor society | 850 | 860 | 271 | 1,439 |
| Newspaper club | 78 | 500 | 0 | 578 |
| Orchestra/Strings | 3,805 | 0 | 1,000 | 2,805 |
| Outdoor recreation club | 1,870 | 0 | 266 | 1,604 |
| SADD | 1,413 | 1,011 | 736 | 1,688 |
| Sales tax | 164 | 619 | 582 | 201 |
| Shakespeare | 758 | 11,345 | 10,709 | 1,394 |
| Ski Club - HS | 969 | 0 | 969 | 0 |
| Soccer girls | 122 | 0 | 0 | 122 |
| Softball | 5,798 | 5,602 | 10,775 | 625 |
| Student senate | 6,551 | 23,110 | 24,439 | 5,222 |
| Track boys & girls | 186 | 0 | 0 | 186 |
| Yearbook Club | 7,392 | 10,878 | 5,100 | 13,170 |
| Total High School | 60,401 | 107,853 | 111,807 | 56,447 |
| Middle School | | | | |
| Student Council | 1,726 | 1,427 | 2,455 | 698 |
| Ski club | 2,472 | 6,672 | 6,481 | 2,663 |
| Drama club | 8,720 | 1,502 | 1,475 | 8,747 |
| NJHS | 68 | 316 | 331 | 53 |
| Grade 6 | 1,096 | 4,800 | 4,893 | 1,003 |
| Grade 7 | 223 | 8,230 | 7,877 | 576 |
| Grade 8 | 1,179 | 15,806 | 14,367 | 2,618 |
| SADD | 261 | 0 | 0 | 261 |
| Yearbook | 3,228 | 1,722 | 3,466 | 1,484 |
| Sales Tax | 116 | 177 | 163 | 130 |
| Total Middle School | 19,089 | 40,652 | 41,508 | 18,233 |
| TOTALS | \$ 79,490 | \$ 148,505 | \$ 153,315 | \$ 74,680 |

See accompanying notes to financial statements.

CHATHAM CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Chatham 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. However, since the Board of Education does exercise general oversight, these funds and their corresponding cash accounts are reflected in the Trust and Agency Funds of the basic financial statements of the District.

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

NOTE 2 – MANAGEMENT LETTER

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



September 20, 2016

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

Re: Management Letter
June 30, 2016

Dear Board Members:

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. We previously reported on the District's internal control in our report dated September 20, 2016. This letter does not affect our report dated September 20, 2016, on the financial statements of Chatham Central School District.

Our comments and recommendations for the year ended June 30, 2016, are as follows:

Prior-Year Conditions

1. Old Outstanding Checks

Prior Condition: Through review of bank reconciliations we noted that there were several checks older than one year.

Status: This condition has improved during the current year.

Recommendation: We recommend that the District review these outstanding checks and comply with NYS Escheat Laws.

2. Extraclassroom Activity Funds

Prior Condition: Through testing of the Extraclassroom Activity Funds in the prior year, we noted the following:

- 1) Instances where sales tax was not charged or paid.
- 2) Instances where profit & loss statements were not completed.

Status: This condition remains unchanged as of June 30, 2016.

Recommendation: We recommend that the District review its procedures to ensure that all clubs are following proper requirements outlined in the NYS Pamphlet #2.

3. Purchasing and Accounts Payable Procedures

Prior Condition: As part of our June 30, 2015 audit, we tested 40 disbursements for compliance with District purchasing and accounts payable procedures. We noted the following:

- 1) One of the selected disbursements had a purchase order dated after the invoice. In this case purchases are being made prior to obtaining approval for the purchase.

Status: This condition has been corrected as of June 30, 2016.

4. Payroll

Prior Condition: Through our testing of payroll as of June 30, 2015, we noted one instance where the salary notice was not signed by the superintendent and one instance where the employee was paid incorrectly.

Status: For June 30, 2016, we noted 2 of 40 employees tested did not have their I-9 form completed accurately.

Recommendation: We recommend that management review payroll procedures to ensure all forms are appropriately completed.

Current-Year Conditions

1. Extraclassroom Activity Funds

Condition: Through testing of the Extraclassroom Activity Funds, it was noted that the Girls Soccer, Boys and Girls Track, and SADD clubs were fiscally inactive.

Recommendation: The board and management should review these clubs and determine if they should remain or be closed as per board policy.

* * * * *

This report is intended solely for the information and use of the Board of Education, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with management, and we will be pleased to discuss them with the Board at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate the courtesies, assistance and cooperation given us during our audit by Mr. Chudy and the other Business Office personnel.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC