ALLEGANY-LIMESTONE
CENTRAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

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JUNE 30, 2017

SECTION B

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 17, 2017

To the Board of Education of
Allegany-Limestone Central School District:

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 Allegany-Limestone Central School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2017 the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of contributions-pension plans, proportionate share of the net pension liability (asset), and changes in total OPEB liability and related ratios, 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.

Report on 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 supplementary information, as required by the New York State Education Department (NYSED), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The supplementary information, as required by NYSED, 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 it.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Bonadio & Co., LLP

The following is a discussion and analysis of the Allegany-Limestone Central School District's (the District) financial performance for the fiscal year ended June 30, 2017. The section is a summary of the 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 District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2017 and 2016, total assets (what the District owns) exceeded its total liabilities (what the District owes) by $31,525,783 and $29,216,336 (net position), respectively, an increase of $2,309,447 from 2016 to 2017 operations. There was also a prior period adjustment, which decreased net position by $2,067,882 (see Note 3).

- General revenue, which includes State aid, and property taxes, accounted for $22,878,028 (or 94%), of all revenue. Program specific revenue in the form of Charges for Services and Operating Grants and Contributions accounted for $1,366,307 (or 6%) of total revenue.

- Total expenses for in the district-wide financial statements totaled $21,934,888 and $20,816,967 in 2017 and 2016, respectively.

- As of the close of the fiscal year, The District's governmental funds reported combined fund balances of $11,319,015 and $9,423,121 in 2017 and 2016, respectively, an increase of $1,895,894 from 2016 to 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

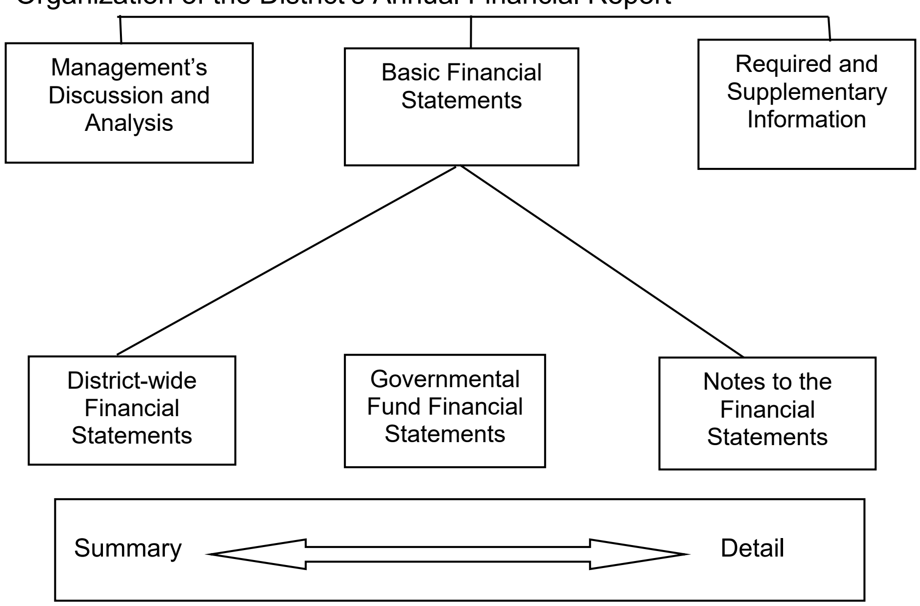
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.

    - The Governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.

    - Fiduciary fund statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

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 to the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1 Organization of the District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 summarizes the major features of the District's financial statements, including the portion of the 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.

Table A-2 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 day-to-day operating activities of the District, such as instruction and special education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balance	• 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 inflows-outflows of resources/liability information	All assets/deferred outflows and liabilities/deferred inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

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

- Over time, increases or decreases in the 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 District, additional nonfinancial factors, such as changes in the property tax base and the condition of buildings and other facilities, should be considered.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements (Continued)

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
    - Net investment in capital assets.
    - Restricted net position include resources with constraints placed on use by external sources or imposed by law.
    - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out of the District and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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 District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information in a reconciliation to the governmental fund statements explain 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, Debt Service fund and the Capital Projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole
Our analysis below focuses on the net position (Table A-3) and the change in net position (Table A-4) of the District-wide governmental activities.

Table A-3 Condensed Statements of Net Position - Governmental Activities

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Current assets	$ 12,491,942	$ 10,735,626	16.4%
Non-current assets	34,369,214	40,696,903	-15.5%
Total assets	46,861,156	51,432,529	-8.9%
Deferred outflows of resources	5,779,068	2,187,518	164.2%
Current liabilities	1,200,940	1,363,316	-11.9%
Long-term liabilities	19,509,503	19,118,989	2.0%
Total liabilities	20,710,443	20,482,305	1.1%
Deferred inflows of resources	403,998	1,853,524	-78.2%
Net position:			
Net investment in capital assets	19,754,214	18,991,142	4.0%
Restricted	8,047,656	6,123,243	31.4%
Unrestricted	3,723,913	6,169,833	-39.6%
Total net position	$ 31,525,783	$ 31,284,218	0.8%

The prior year numbers have not been adjusted for the prior period adjustment noted in Note 3.

In Table A-3, deferred outflows of resources at June 30, 2017 were approximately $3.6 million higher than at June 30, 2016. This is a result of the change in the valuation of the District's portion of ERS and TRS pension costs and the adoption of GASB 75, and Other Postemployment Benefits. Non-current assets decreased as a result of the net pension asset for TRS being valued as a net pension liability for 2017, based on the change in the pension valuation.

Total liabilities increased approximately $.2 million. This was mainly due to the increase in other postemployment benefit liability due to the implementation of GASB 75.

Deferred inflows of resources decreased approximately $1.4 million due to the valuation change of the District's proportionate share of ERS and TRS pension costs.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole (Continued)

Table A-4 Changes in Net Position from Operating Results - Governmental Activities

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Revenue:			
Charges for services	$ 181,433	$ 175,432	3.4%
Operating grants	1,184,874	1,259,391	-5.9%
General revenue:			
Real property taxes and other tax items	7,701,933	7,884,497	-2.3%
State aid	14,714,494	14,082,360	4.5%
Federal aid	25,989	14,561	78.5%
Use of money and property	10,393	14,379	-27.7%
Other	425,219	283,594	49.9%
Total revenue	24,244,335	23,714,214	2.2%
Expenses:			
General governmental support	4,924,316	4,447,046	10.7%
Instruction	15,111,389	14,098,266	7.2%
Pupil transportation	869,091	1,200,424	-27.6%
Interest	556,948	632,065	-11.9%
School lunch program	473,144	439,166	7.7%
Total expenses	21,934,888	20,816,967	5.4%
Change in net position	$ 2,309,447	$ 2,897,247	-20.3%

Changes in Net Position
The District's total fiscal year 2017 revenues totaled $24,244,335. (See Table A-4). The majority of revenues are from property taxes and state aid, which account for 92% of the revenue. Operating grants account for another 5% of the revenue and decreased 5.9% in the current year due to fewer students attending 4201 Stated Supported Schools.

The total cost of all programs and services totaled $21,934,888 for fiscal year 2017. These expenses are predominately related to general instruction, which account for 69% of District expenses. (See Table A-6). The District's general support activities accounted for 22% of total costs.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2017

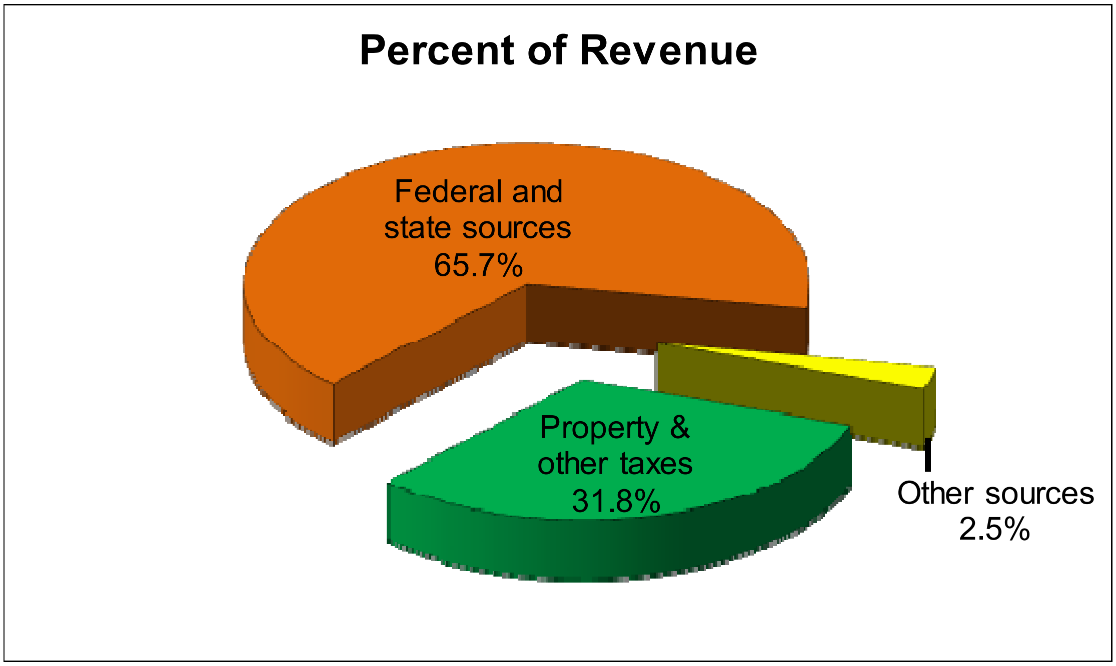
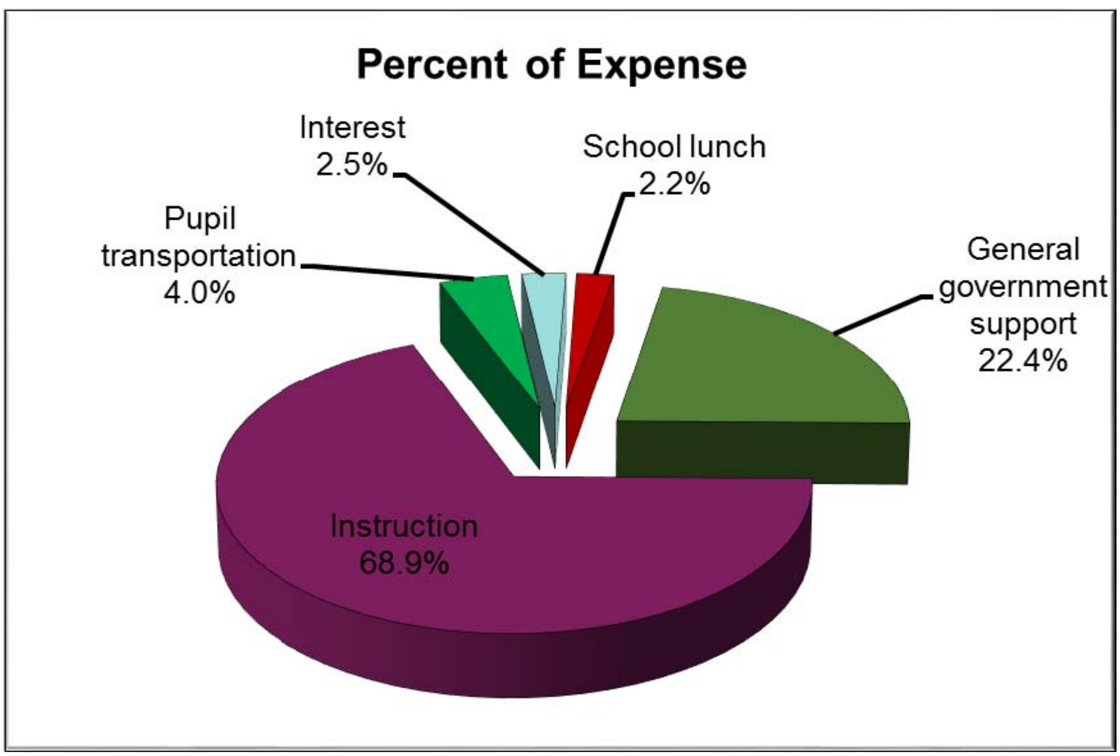


Table A-6 Expenses for Fiscal Year 2017



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District's Funds

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt, liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At June 30, 2017, the District, in its governmental funds, reported combined fund balances of $11.3 million, an increase of $1.9 million over the prior year. The District's governmental funds, except for the debt service fund, operated at a slight surplus in 2016-2017.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General fund.

Table A-7 Results vs. Budget

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
Revenue:				
Local sources	$ 7,755,092	$ 7,888,092	$ 8,132,267	$ 244,175
State sources	14,564,348	14,431,348	14,714,494	283,146
Medicaid reimbursement	-	-	25,989	25,989
Total	22,319,440	22,319,440	22,872,750	553,310
Expenditures:				
General support	2,944,790	2,765,490	2,577,713	187,777
Instruction	11,750,770	11,333,470	10,944,653	388,817
Employee benefits	4,003,600	3,683,600	3,448,181	235,419
Transportation	1,016,170	1,016,170	790,450	225,720
Other financing sources (uses)	3,103,810	7,020,410	6,987,623	32,787
Total	22,819,140	25,819,140	24,748,620	1,070,520
Revenue over (under) expense	$ (499,700)	$ (3,499,700)	$ (1,875,870)	$ 1,623,830

The General fund is the only fund for which a budget is legally adopted. For the purposes of the above analysis the budget columns do not include appropriated fund balance. The District increased the budget $3 million to provide for the use of the Capital Reserve to fund the local share of the $16.1 million Capital Project as approved by the voters on May 25, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The following significant variances between budget and actual occurred during fiscal 2017:

- State sources revenue was greater than budget by approximately $283,000 due to conservative BOCES Aid estimates.
- Local sources revenue was greater than budget by approximately $244,000 due to a larger than anticipated BOCES Refund.
- Instruction expenditures were lower than budget by approximately $389,000 due to the reorganization of the Middle and High Schools, changes in staffing and lower than anticipated Special Education costs.
- Employee benefit expenditures were lower than budget by approximately $235,000 due to changes in staffing resulting in unused contingencies.
- Transportation expenditures were lower than budget by approximately $226,000 due to the elimination of routes due to a bus driver shortage and lower than anticipated cost for fuel and contract transportation.
- General support was approximately $188,000 less than budget due to a mild winter resulting in reduced utility and overtime costs.

Capital Assets
As of June 30, 2017, the District had an investment of $34.4 million in a broad range of capital assets including land, buildings, site improvements, vehicles and other educational equipment.

Table A-8 Capital Assets (net of depreciation)

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Category:			
Land	$ 241,299	$ 241,299	0.0%
Buildings	32,283,041	33,691,019	-4.2%
Site improvements	425,630	531,658	-19.9%
Equipment	209,978	226,092	-7.1%
Vehicles	1,209,266	1,021,074	18.4%
Total	$ 34,369,214	$ 35,711,142	-3.8%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Long-Term Debt

At year-end, the District had $14.6 million in general obligation bonds outstanding and $4.6 million in other long term liabilities. More detailed information about the District's total long-term liabilities is presented in the notes to the financial statements.

Table A-9 Outstanding Long-Term Debt

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Category:			
General obligation bonds	$ 14,615,000	$ 16,720,000	-12.6%
Compensated absences	444,192	378,728	17.3%
Termination benefits	-	8,833	-100.0%
Net pension liability	1,157,918	1,175,387	-1.5%
Other postemployment benefit obligation	3,292,393	2,951,767	11.5%
	$ 19,509,503	$ 21,234,715	

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

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

- The District lowered the tax levy for the fiscal year end June 30, 2017 by 2.92% and another 1.68% for the 2017-2018 school year. This was the result of a 1.22% increase in projected spending and a 3.19% increase in state aid. Going forward it is anticipated that that state aid will increase at a slower pace.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact: Allegany-Limestone Central School District, Allegany, New York 14706.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 4,578,263
Cash and cash equivalents - restricted	7,491,848
Due from Federal and State governments	404,494
Inventory	17,337
Total current assets	12,491,942
NON-CURRENT ASSETS:	
Capital assets, net	34,369,214
Total assets	46,861,156
DEFERRED OUTFLOWS OF RESOURCES	
Pension related-TRS	4,948,383
Pension related-ERS	518,998
Other post employment benefits	311,687
Total deferred outflows of resources	5,779,068
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	100,824
Accrued interest	28,013
Unearned revenue	10,227
Due to other governments	27
Due to Teachers' Retirement System	961,107
Due to Employees' Retirement System	100,742
Total current liabilities	1,200,940
LONG-TERM LIABILITIES:	
Due and payable within one year -	
Bonds payable	2,165,000
Total long-term liabilities due and payable within one year	2,165,000
Due and payable after one year -	
Net pension liability	1,157,918
Other postemployment benefits	3,292,393
Compensated absences	444,192
Bonds payable	12,450,000
Total long-term liabilities due and payable after one year	17,344,503
Total long-term liabilities	19,509,503
Total liabilities	20,710,443
DEFERRED INFLOWS OF RESOURCES	
Pension related-TRS	165,526
Pension related-ERS	112,223
Other postemployment benefits	126,249
Total deferred inflows of resources	403,998
NET POSITION	
Net investment in capital assets	19,754,214
Restricted	7,047,656
Unrestricted	4,723,913
Total net position	$ 31,525,783

The accompanying notes are an integral part of these statements.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenue		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS:				
General governmental support	$ 4,924,316	$ -	$ -	$ (4,924,316)
Instruction	15,111,389	-	932,918	(14,178,471)
Pupil transportation	869,091	-	-	(869,091)
Interest	556,948	-	-	(556,948)
School lunch program	473,144	181,433	251,956	(39,755)
Total functions/programs	$ 21,934,888	$ 181,433	$ 1,184,874	(20,568,581)
GENERAL REVENUE:				
Real property taxes				6,127,614
Nonproperty taxes				1,574,319
Use of money and property				10,393
Sale of property and compensation for loss				15,888
Miscellaneous				409,331
State sources				14,714,494
Medicaid reimbursement				25,989
Total general revenue				22,878,028
CHANGE IN NET POSITION				2,309,447
NET POSITION - beginning of year, as previously reported				31,284,218
CHANGE IN ACCOUNTING PRINCIPLE (NOTE 3)				(2,067,882)
NET POSITION - beginning of year, as restated				29,216,336
NET POSITION - end of year				$ 31,525,783

The accompanying notes are an integral part of these statements.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Aid	Debt Service	Capital Projects	School Lunch	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 4,116,899	$ 337,288	$ -	$ -	$ 124,076	$ 4,578,263
Cash and cash equivalents - restricted	3,334,100	-	802,017	3,355,731	-	7,491,848
Due from other funds	488,405	-	-	1,000,000	-	1,488,405
Due from Federal and State Governments	205,246	198,659	-	-	589	404,494
Inventory	-	-	-	-	17,337	17,337
Total assets	$ 8,144,650	$ 535,947	$ 802,017	$ 4,355,731	$ 142,002	$ 13,980,347
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 100,824	$ -	$ -	$ -	$ -	$ 100,824
Due to other funds	1,000,000	488,405	-	-	-	1,488,405
Due to other governments	-	-	-	-	27	27
Due to Teachers' Retirement System	961,107	-	-	-	-	961,107
Due to Employees' Retirement System	100,742	-	-	-	-	100,742
Unearned revenue	-	-	-	-	10,227	10,227
Total liabilities	2,162,673	488,405	-	-	10,254	2,661,332
FUND BALANCES:						
Nonspendable -						
Inventory	-	-	-	-	17,337	17,337
Restricted for -						
Capital reserve	871,949	-	-	4,355,731	-	5,227,680
Retirement contribution	1,211,532	-	-	-	-	1,211,532
Unemployment insurance reserve	75,893	-	-	-	-	75,893
Repair reserve	447,291	-	-	-	-	447,291
Insurance reserve	283,243	-	-	-	-	283,243
Employee benefit accrued liability	444,192	-	-	-	-	444,192
Debt service	-	-	802,017	-	-	802,017
Assigned to -						
Appropriated for future budgets	430,000	-	-	-	-	430,000
Other spendable amounts	-	47,542	-	-	114,411	161,953
Unassigned	2,217,877	-	-	-	-	2,217,877
Total fund balances	5,981,977	47,542	802,017	4,355,731	131,748	11,319,015
Total liabilities and fund balance	$ 8,144,650	$ 535,947	$ 802,017	$ 4,355,731	$ 142,002	$ 13,980,347

The accompanying notes are an integral part of these statements.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

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

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

Fund balance - total governmental funds	$ 11,319,015
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,369,214
Deferred outflows/inflows of resources related to pensions and other posemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows - ERS/TRS	5,467,381
Deferred inflows - ERS/TRS	(277,749)
Deferred outflow - pensions	311,687
Deferred inflow - pensions	(126,249)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(14,615,000)
Other postemployment benefits	(3,292,393)
Compensated absences	(444,192)
Net pension liability - ERS	(648,380)
Net pension liability - TRS	(509,538)
Accrued interest	(28,013)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 31,525,783

The accompanying notes are an integral part of these statements.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Special Aid	Debt Service	Capital Projects	School Lunch	Total Governmental Funds
REVENUE:						
Real property taxes	$ 6,127,614	$ -	$ -	$ -	$ -	$ 6,127,614
Other tax items	1,574,319	-	-	-	-	1,574,319
Use of money and property	9,978	-	333	60	22	10,393
Sale of property and compensation for loss	15,888	-	-	-	-	15,888
Miscellaneous	404,468	-	-	-	4,863	409,331
State sources	14,714,494	388,114	-	-	8,594	15,111,202
Federal sources	-	544,804	-	-	243,362	788,166
Medicaid reimbursement	25,989	-	-	-	-	25,989
Sales	-	-	-	-	181,433	181,433
Total revenue	22,872,750	932,918	333	60	438,274	24,244,335
EXPENDITURES:						
General support	2,577,713	-	-	-	-	2,577,713
Instruction	10,944,653	894,830	-	-	-	11,839,483
Pupil transportation	790,450	18,809	-	-	-	809,259
Employee benefits	3,448,181	68,279	-	-	96,207	3,612,667
Cost of sales	-	-	-	-	389,200	389,200
Capital outlays	-	-	-	435,373	-	435,373
Debt service -						
Principal	-	-	2,105,000	-	-	2,105,000
Interest	-	-	579,746	-	-	579,746
Total expenditures	17,760,997	981,918	2,684,746	435,373	485,407	22,348,441
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	5,111,753	(49,000)	(2,684,413)	(435,313)	(47,133)	1,895,894
OTHER FINANCING SOURCES AND (USES):						
Transfers in	-	49,000	2,495,010	4,362,600	81,013	6,987,623
Transfers out	(6,987,623)	-	-	-	-	(6,987,623)
Total other financing sources	(6,987,623)	49,000	2,495,010	4,362,600	81,013	-
CHANGE IN FUND BALANCE	(1,875,870)	-	(189,403)	3,927,287	33,880	1,895,894
FUND BALANCES - beginning of year	7,857,847	47,542	991,420	428,444	97,868	9,423,121
FUND BALANCES - end of year	$ 5,981,977	$ 47,542	$ 802,017	$ 4,355,731	$ 131,748	$ 11,319,015

The accompanying notes are an integral part of these statements.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

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

Net changes in fund balance - total governmental funds	$ 1,895,894
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	516,459
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(1,858,387)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position.	2,105,000
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense:	
District pension contributions	1,314,849
Cost of benefits earned, net of employee contributions	(1,427,503)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned, net of employer contributions is reported as other postemployment benefits.	(203,032)
Certain expenses in the statement of activities do not require the use of current resources and are, therefore, not reported as expenditures in the governmental funds:	
Change in accrued interest	22,798
Change in termination benefits	8,833
Change in compensated absences	(65,464)
Change in net position - governmental activities	$ 2,309,447

The accompanying notes are an integral part of these statements.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Private Purpose Trusts	Agency
ASSETS:		
Cash	$ -	$ 19,817
Cash - restricted	13,222	122,904
Total assets	$ 13,222	$ 142,721
LIABILITIES:		
Extraclassroom activity balances	$ -	$ 122,904
Other liabilities	-	19,817
Total liabilities	-	$ 142,721
NET POSITION:		
Restricted for scholarships	13,222	
Total net position	13,222	
TOTAL LIABILITIES AND NET POSITION	$ 13,222	

The accompanying notes are an integral part of these statements.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trusts
ADDITIONS:	
Gifts and contributions	$ 950
Investment earnings	1
Total additions	951
DEDUCTIONS:	
Scholarships and awards	1,473
CHANGE IN NET POSITION	(522)
NET POSITION - beginning of year	13,744
NET POSITION - end of year	$ 13,222

1. NATURE OF OPERATIONS

Allegany-Limestone Central School District (the District) provides free K-12 public education to students living within its geographic borders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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:

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 (BOE). The President of the Board serves as chief fiscal officer, and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management, and accountability for all fiscal matters.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. A component unit is included in the District's reporting entity if it is both fiscally dependent on the District and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the District. Based on the application of these criteria there are no component units included in the District's financial statements.

The following is a brief description of a certain entity included in the District's reporting entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The District is a component school district in the Cattaraugus-Allegany Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. 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.

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

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

Basis of Presentation

The District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

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 revenue, 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.

The statement of activities presents a comparison between direct expenses and program revenue 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 revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)
The District reports the following major governmental funds:

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

- *Special Aid Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- *School Lunch Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- *Capital Projects Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

- *Debt Service Fund* - This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of the governmental activities.

Fiduciary Funds
These funds are 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:

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

- *Agency funds* - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District solely as an agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

Use of 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 dates of the financial statements and the reported revenue 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property Taxes

Real property taxes are levied annually by the BOE no later than September 1, and become a lien on August 31st. Taxes are collected during the period September 1 to November 1. Taxes not collected by October 31 are turned over to the County who assumes all responsibility for collection.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory
Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

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

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.

Capital Assets
Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$ 5,000	SL	20 - 40 years
Equipment	$ 5,000	SL	7 - 20 years
Site Improvements	$ 5,000	SL	15 - 20 years
Vehicles	$ 5,000	SL	8 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

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

Consistent with generally accepted accounting principles, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position or balance sheet 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 or fund balance 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 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 liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits

In addition to providing the pension benefits described, the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level, the District recognizes the cost of providing health care 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. At the district-wide level, the costs are based on actuarial determinations and assumptions.

Unearned Revenue

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Short-Term Debt

The District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), 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 percent of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BANs), 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.

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 fund financial statements only to the extent that they are due for payment in the current year.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Resources
When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

District-Wide Statements - Equity Classifications
In the District-wide statements there are three classes of net position:

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

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Governmental Fund Financial Statements - Equity Classifications
In the fund basis statements there are five classifications of fund balance:

Nonspendable 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. Nonspendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance - 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. The District has available the following restricted fund balances.

<u>Capital reserve</u>
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 this 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. Expenditures 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity Classifications (Continued)

Repair

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

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund.

Unemployment Insurance Reserve

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity classifications (Continued)

Insurance Reserve
According to General Municipal Law GML §6-n, this reserve 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 the reserve may not exceed the greater of $33,000 or 5 percent of the budget. Settled or compromised claims up to $25,000 may be paid from the reserves without judicial approval. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability
This reserve is to 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 appropriation and such other reserve and funds that may be legally appropriated. This reserve is accounted for in the general fund.

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the BOE.

Assigned fund balance - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund, if any, are classified as assigned fund balance in the General fund.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the 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's budget and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy
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. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

3. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, Beginning Net Position and Other Postemployment Benefits on the Statement of Net Position were adjusted as noted in the following table:

	District-Wide Statement of Net Position		
	Other Postemployment Benefits	Deferred Outflows	Net Position
Balance at June 30, 2016, as previously reported	$ 836,041	$ -	$ 31,284,218
Restatement of beginning balance - Adoption of GASB Statement No. 75			
Contributions subsequent to measurement date	-	47,844	47,844
Increase to liability	2,115,726	-	(2,115,726)
	2,115,726	47,844	(2,067,882)
Balance at June 30, 2016, as restated	$ 2,951,767	$ 47,844	$ 29,216,336

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

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

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 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.

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (Continued)

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

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **Long-Term Revenue and Expense Differences**
  Long-term revenue differences arise because governmental funds report revenue only when it is considered "available," whereas the statement of activities reports revenue 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.

- **Capital Related Differences**
  Capital related differences include the difference between proceeds from 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.

- **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.

- **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 proportionate share of the total contributions to the pension systems.

5. 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.

The District's aggregate bank balances, including balances not covered by depository insurance at year-end, collateralized as follows:

Fund	Bank Balance	Carrying Amount
Cash, including fiduciary funds	$ 12,792,217	$ 12,225,854
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	$ 12,539,887	
Covered by FDIC insurance	426,909	
Total	$ 12,966,796	

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 consists of the following:

Capital projects - (Capital projects fund)	$ 3,355,731
Capital projects - building (General fund)	871,949
Retirement contributions	1,211,532
Unemployment Insurance	75,893
Repair	447,291
Employee benefit	444,192
Insurance	283,243
Debt service	802,017
Total restricted cash - governmental funds	7,491,848
Scholarships and extraclassroom - fiduciary fund	136,126
Total restricted cash	$ 7,627,974

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 241,299	$ -	$ -	$ 241,299
Total nondepreciable cost	241,299	-	-	241,299
Capital assets that are depreciated:				
Buildings	54,823,901	-	-	54,823,901
Site improvements	2,147,631	-	-	2,147,631
Equipment	1,351,290	59,782	-	1,411,072
Vehicles	2,547,525	456,677	(344,500)	2,659,702
Total depreciable historical cost	60,870,347	516,459	(344,500)	61,042,306
Less accumulated depreciation:				
Buildings	(21,132,882)	(1,407,978)	-	(22,540,860)
Site improvements	(1,615,973)	(106,028)	-	(1,722,001)
Equipment	(1,125,198)	(75,896)	-	(1,201,094)
Vehicles	(1,526,451)	(268,485)	344,500	(1,450,436)
Total accumulated depreciation	(25,400,504)	(1,858,387)	344,500	(26,914,391)
Total depreciable cost - net	$ 35,469,843	$ (1,341,928)	$ -	$ 34,127,915
Total capital assets, net	$ 35,711,142	$ (1,341,928)	$ -	$ 34,369,214

Depreciation expense for the year ended June 30, 2017, was allocated to specific functions as follows:

General support	$ 1,589,902
Pupil transportation	268,485
Total depreciation	$ 1,858,387

7. PARTICIPATION IN BOCES

During the year, the District was billed $4,069,338 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to $1,540,507.

8. LONG-TERM OBLIGATIONS

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

	Beginning Balance (Restated)	Additions	Deletions		Ending Balance	Due Within One Year
Government activities:						
Serial bonds payable	$ 16,720,000	$ -	$ (2,105,000)		$ 14,615,000	$ 2,165,000
Other liabilities:						
Compensated absences	$ 378,728	$ 65,464	$ -	{a}	$ 444,192	$ -
Termination benefits	8,833	-	(8,833)		-	-
Other post employment benefits	2,951,767	340,626	-		3,292,393	-
Net pension liability	1,175,387	-	(17,469)		1,157,918	-
Total other liabilities	$ 4,514,715	$ 406,090	$ (26,302)		$ 4,894,503	$ -

{a} Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

Interest on all debt for the year was composed of:

Interest paid	$ 579,746
Less: Interest accrued in the prior year	(50,811)
Plus: Interest accrued in the current year	28,013
Total interest expense	$ 556,948

Issue dates, maturities, and interest rates on outstanding debt are as follows:

Bond Issues	Issued	Maturity	Interest Rate	June 30, 2017 Balance
Serial bond	2010	2039	3.10%	$ 3,305,000
Serial bond	2010	2020	2.75%	2,735,000
Serial bond	2013	2034	1.38%	5,685,000
Serial bond	2013	2027	5.00%	2,890,000
Total bond issues				$ 14,615,000

8. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the maturity of long-term indebtedness as of June 30, 2017:

	Principal	Interest	Total
2018	$ 2,165,000	$ 525,846	$ 2,690,846
2019	2,210,000	463,132	2,673,132
2020	2,290,000	391,720	2,681,720
2021	810,000	305,594	1,115,594
2022	835,000	275,344	1,110,344
2023-2027	3,930,000	874,990	4,804,990
2028-2032	1,480,000	324,616	1,804,616
2033-2037	795,000	84,262	879,262
2038-2039	100,000	7,126	107,126
Totals	$ 14,615,000	$ 3,252,630	$ 17,867,630

9. INTERFUND BALANCES AND ACTIVITY

	Interfund		Transfers	
	Receivable	Payable	In	Out
General	$ 488,405	$ 1,000,000	$ -	$ 6,987,623
Special Aid	-	488,405	49,000	-
Debt Service	-	-	2,495,010	-
School Lunch	-	-	81,013	-
Capital Projects	1,000,000	-	4,362,600	-
Total	$ 1,488,405	$ 1,488,405	$ 6,987,623	$ 6,987,623

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

10. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net position and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an 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 system is noncontributory except for employees who joined the System after July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3.0 percent of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined on or after January 1, 2010 and prior to April 1, 2012, employees contribute 3.0 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS
2017	$ 300,847
2016	$ 340,202
2015	$ 393,686

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

At June 30, 2017, the District reported a net pension liability of $648,380 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the District's proportionate share was .0069004% percent, which was a decrease from .0073232%, its proportionate share measured at June 30, 2016.

10. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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

For the year ended June 30, 2017, the District recognized pension expense of $358,815. At June 30, 2017, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,248	$ 98,460
Changes of assumptions	221,510	-
Net difference between projected and actual earnings on pension plan investments	129,508	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	50,990	13,763
Contributions subsequent to the measurement date	100,742	-
Total	$ 518,998	$ 112,223

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2018	$ 136,746
2019	136,746
2020	117,380
2021	(84,839)
2022	-
Thereafter	-
	$ 306,033

The District recognized $100,742 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

10. PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

The actuarial valuation used the following actuarial assumptions:

Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

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

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic equity	36.0	4.6
International equity	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real asset	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation indexed bonds	4.0	1.5
	100%	

10. PENSION PLANS (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Lower (6.00%)	Current Discount (7.00%)	1% Higher (8.00%)
Proportionate Share of Net Pension liability (asset)	$ 2,070,797	$ 648,380	$ (554,271)

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

Total pension liability	$ 177,400,586
Net position	(168,004,363)
Net pension liability (asset)	$ 9,396,223
ERS net position as a percentage of total pension liability	94.70%

<u>New York State Teachers' Retirement System</u>

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. NYSTRS offers 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.

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

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Contributions

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in NYSTRS for more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

		TRS
2017	$	1,014,002
2016	$	1,300,385
2015	$	1,201,054

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

At June 30, 2017, the District reported a net pension liability of $509,538 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017 the District's proportionate share was 0.047574%, which was a decrease from the 0.048001% proportionate share measured at June 30, 2016.

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

For the year ended June 30, 2017, the District recognized pension expense of $981,587. At June 30, 2017 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 165,526
Changes of assumptions	2,902,651	-
Net difference between projected and actual earnings on pension plan investments	1,145,709	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	38,979	-
Contributions subsequent to the measurement date	861,044	-
Total	$ 4,948,383	$ 165,526

The District recognized $861,044 as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2017	$ 360,316
2018	360,316
2019	1,250,105
2020	973,266
2021	449,574
Thereafter	528,236
	$ 3,921,813

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions

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

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.

Annuitant morality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP 2014, applied on a generational basis.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions (Continued)
Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Long Term Expected Rate of Return

Asset Type	Target Allocations in %	Long-term expected real rate of return in %
Domestic equity	37.0	6.1
International equity	18.0	7.3
Real estate	10.0	5.4
Alternative investments	7.0	9.2
Domestic fixed income securities	17.0	1.0
Global fixed income securities	2.0	0.8
Mortgages	8.0	3.1
Short-term	1.0	0.1
	100%	

Discount Rate
The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' 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 net pension liability (asset) using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.5 percent) or 1% higher (8.5 percent) than the current rate:

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Proportionate Share of Net Pension liability (asset)	$ 6,648,077	$ 509,538	$ (4,639,148)

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Plan Fiduciary Net Position (000's)

The components of the current year net pension liability (asset) of the employers as of June 30, 2016, were as follows:

Total pension liability	$108,577,184
Net position	107,506,142
Net pension liability (asset)	$ 1,071,042
NYSTRS net position as a percentage of total pension liability	99.01%

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District administers the Other Postemployment Benefits Plan (the OPEB Plan) as a single-employer defined benefit other postemployment benefit plan. The District provides for postretirement medical benefits to retiring employees after 15 years of service. When a retiree reaches age 65, Medicare will provide primary coverage, except as otherwise provided by law. Dental and life insurance benefits are available with select individuals and classes of employees. At June 30, 2017, there were 46 retirees receiving benefits under the OPEB Plan. The OPEB Plan can be amended by action of the District through agreements with different bargaining units. The OPEB Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the OPEB Plan.

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Total Other Postemployment Benefits Liability

The District's total other postemployment benefits(OPEB) liability of $3,292,393 was measured as of July 1, 2016, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Methods and Assumptions

The total other postemployment benefit liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.3 percent per year
Discount rate	2.9 percent as of July 1, 2016
Medical care cost trend rate	9.0% for fiscal year 2016, reduced by decrements until an ultimate rate of 5 % in 2025.

As the plan is unfunded, the assumed discount rate considers that the District's investment assets are low risk in nature, such as money market funds or certificates of deposit.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2016, as restated	$ 2,951,767
Changes for the year:	
Interest on net OPEB obligation	113,010
Annual required contribution adjustment	186,438
Changes in assumptions	209,806
Annual employer contribution	(168,628)
Net Changes	340,626
Balance at June 30, 2017	$ 3,292,393

Changes of assumptions and other inputs reflect a change in the discount rate from 3.94% in 2016 to 2.92% in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.92%) or 1 percentage point higher (3.92%) than the current discount rate:

	Discount Rate		
	1% Decrease (1.92%)	Current Discount (2.92%)	1% Increase (3.92%)
Total OPEB Liability	$ 3,502,678	$ 3,292,393	$ 3,086,638

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower (8.0%) or 1 percentage point higher (10.0%) than the current discount rate:

	Healthcare Trend Rate		
	1% Decrease (8.00%)	Current Discount (9.00%)	1% Increase (10.00%)
Total OPEB Liability	$ 2,947,485	$ 3,292,393	$ 3,694,992

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of $307,994. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 206,725	$ -
Differences between expected and actual experience	-	126,249
Benefit payments subsequent to measurement date	104,962	-
Total	$ 311,687	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June	Amount
2018	$ 6,190
2019	6,190
2020	6,190
2021	6,190
2022	6,190
Thereafter	49,526
	$ 80,476

The District recognized $104,962 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of July 1, 2016 which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2018.

12. RISK MANAGEMENT

General

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

12. RISK MANAGEMENT (Continued)

Health Insurance

The District incurs costs related to an employee health insurance plan (the Plan) sponsored by Cattaraugus – Allegany BOCES and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. A member may withdraw from the plan by a letter of intent. Members include nine districts, with the Allegany-Limestone Central School District bearing a 6% share of the Plan's assets and claims liabilities. If the Plan's assets were to be exhausted, each member would be responsible for their share of the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2017, the District incurred premiums or contribution expenditures totaling $2,184,968.

Worker's Compensation

The District is one of 23 participants in a risk sharing pool, Allegany Cattaraugus Workmen's Compensation, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to Workers' Compensation claims. During the year ended June 30, 2017, the District incurred premiums or contribution expenditures totaling $93,011.

Unemployment

The District provides unemployment insurance through direct billings from the New York State Unemployment Insurance Fund. The liability for unasserted claims, if any, has not been recognized as a liability and is deemed immaterial. As of June 30, 2017, a reserve amounting to $75,893.

13. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets
The District administration prepares a proposed budget for approval by the BOE for the general fund, which is then approved by the voters of the District.

Appropriations are adopted at the program line item level.

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

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects. Portions of fund balances are restricted or assigned and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

Fund Balance
The District's unrestricted fund balance in its General fund was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include reducing future tax levies and committing funds for capital asset projects and purchases.

Portions of the fund balances are restricted and are not available for current expenditures or expenses, as reported in the governmental funds balance sheet.

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

14. CONTINGENCIES AND COMMITMENTS

Litigation
The District has also been named as a defendant in certain other actions. The District intends to defend itself vigorously in each of these cases. Accordingly, no loss contingency has been accrued.

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

15. TAX ABATEMENTS

The District has multiple real property tax abatement agreements entered into by the Cattaraugus County Industrial Development Agency (CCIDA) under Article 18-A of the real property tax law. These agreements provide for abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) under a uniform tax exemption policy. This policy provides applicants an opportunity to receive abatements in relation to the categorization of each project. Categories include set schedules for regular manufacturing facilities, enhanced manufacturing facilities, tourism destination facilities, retail facilities, and brownfield redevelopment facilities.

The following information summarizes the PILOT agreements entered into by the CCIDA relating to the District:

Year Began	Year Ending	Project Name	2017 Real Property Tax	2017 Pilot Payment Received	Taxes Abated
2014	2026	Community Bank , NA	$ 9,326	$ 6,167	$ 3,159
2007	2022	Dominion Transmission, Inc.	$ 200,222	$ 131,725	$ 68,497
2016	2031	Cranberry Rd Limited Partnership	$ 25,222	$ 8,192	$ 17,030
2012	2022	Casadent, LLC	$ 7,960	$ 3,207	$ 4,753

16. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. The District is required to adopt the provisions of this Statement for the year ending June 30, 2020.

16. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED (Continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement apply to the financial statements of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. This Statement establishes practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement establishes accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

The District has not assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUE				
Real property taxes	$ 6,118,458	$ 6,118,458	$ 6,127,614	$ 9,156
Other tax items	1,565,334	1,565,334	1,574,319	8,985
Use of money and property	9,300	9,300	9,978	678
Sale of property and compensation for loss	7,500	7,500	15,888	8,388
Miscellaneous	54,500	187,500	404,468	216,968
State sources	14,564,348	14,431,348	14,714,494	283,146
Medicaid reimbursement	-	-	25,989	25,989
Total revenue	22,319,440	22,319,440	22,872,750	553,310
EXPENDITURES				
GENERAL SUPPORT:				
Board of education	13,620	12,120	7,607	4,513
Central administration	210,120	222,850	222,723	127
Finance	291,850	283,220	262,976	20,244
Staff	311,290	308,990	305,014	3,976
Central services	1,663,460	1,479,860	1,343,505	136,355
Special items	454,450	458,450	435,888	22,562
Total general support	2,944,790	2,765,490	2,577,713	187,777
INSTRUCTION:				
Instruction, administration, and improvement	827,620	834,620	737,749	96,871
Teaching - regular school	5,540,060	5,445,440	5,332,670	112,770
Programs for children with handicapping conditions	2,874,680	2,489,080	2,363,962	125,118
Occupational education	567,460	567,460	567,460	-
Teaching - special school	25,920	25,920	25,380	540
Instructional media	990,370	1,043,090	1,035,916	7,174
Pupil services	924,660	927,860	881,516	46,344
Total instruction	11,750,770	11,333,470	10,944,653	388,817
Pupil transportation	1,016,170	1,016,170	790,450	225,720
Employee benefits	4,003,600	3,683,600	3,448,181	235,419
Total expenditures	19,715,330	18,798,730	17,760,997	1,037,733
Excess (deficiency) of revenue over expenditures	2,604,110	3,520,710	5,111,753	1,591,043
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,103,810)	(7,020,410)	(6,987,623)	32,787
Total other financing sources	(3,103,810)	(7,020,410)	(6,987,623)	32,787
NET CHANGE IN FUND BALANCES	$ (499,700)	$ (3,499,700)	(1,875,870)	$ 1,623,830
FUND BALANCE - beginning of year			7,857,847	
FUND BALANCE - end of year			$ 5,981,977	

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.01%	0.01%	0.01%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.						
Proportionate share of the net pension liability (asset)	$ 648	$ 1,175	$ 246							
Covered-employee payroll	$ 2,010	$ 1,979	$ 2,006							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.26%	59.37%	12.26%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.70%	97.90%							

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.05%	0.05%	0.05%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.						
Proportionate share of the net pension liability (asset)	$ 510	$ (4,985)	$ (5,442)							
Covered-employee payroll	$ 7,116	$ 7,248	$ 7,216							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.16%	-68.78%	-75.42%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	110.46%	111.48%							

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 301	$ 340	$ 340							
Contributions in relation to the contractually required contribution	301	340	340							
Contribution deficiency (excess)	$ -	$ -	$ -							
Covered-employee payroll	$ 2,010	$ 1,979	$ 2,006							
Contributions as a percentage of covered-employee payroll	14.97%	17.18%	16.95%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,014	$ 1,300	$ 1,265							
Contributions in relation to the contractually required contribution	1,014	1,300	1,265							
Contribution deficiency (excess)	$ -	$ -	$ -							
Covered-employee payroll	$ 7,116	$ 7,248	$ 7,216							
Contributions as a percentage of covered-employee payroll	14.25%	17.94%	17.53%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB Liability		Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.								
Service cost	$ 186									
Interest	115									
Changes of benefit terms	-									
Differences between expected and actual experience	(136)									
Changes in assumptions	223									
Benefit payments	(48)									
Total change in total OPEB liability	340									
Total OPEB liability - beginning	2,952									
Total OPEB liability - ending	$ 3,292									
Covered-employee payroll	$ 8,785									
Total OPEB liability as a percentage of covered-employee payroll	37.5%									

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

	2017	2016	
Discount rate	2.92%	3.94%	Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused a decrease in liabilities.

The healthcare trend cost rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0% in 2025 and beyond, which caused an increase in liabilities.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

SUPPLEMENTARY INFORMATION
(UNAUDITED)

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017 (UNAUDITED)

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	$ 22,819,140
Add: Prior year's encumbrances	-
Original budget	22,819,140
Budget revisions	3,000,000
Final budget	$ 25,819,140

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	$ 23,085,230	
Maximum allowed (4% of 2017-18 budget)		$ 923,409
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :		
Unrestricted fund balance		
Assigned fund balance	$ 430,000	
Unassigned fund balance	2,217,877	
Total unrestricted fund balance	2,647,877	
Less:		
Appropriated fund balance	430,000	
Total adjustments	430,000	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 2,217,877
Actual percentage		9.61%

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Unexpended Balance	Serial bonds	Federal and State sources	Local Sources	Total Financing	Fund balance as of 6/30/2017
Buses	$ 426,000	$ 426,000	$ -	$ 425,479	$ 425,479	$ 521	$ -	$ -	$ 362,600	$ 362,600	$ (62,879)
Elementary	50,000	50,000	-	3,958	3,958	46,042	-	-	1,000,000	1,000,000	996,042
Middle-High	75,000	75,000	-	5,936	5,936	69,064	-	-	1,000,000	1,000,000	994,064
	$ 551,000	$ 551,000	$ -	$ 435,373	$ 435,373	$ 115,627	$ -	$ -	$ 2,362,600	$ 2,362,600	$ 1,927,227

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2017

Capital assets, net	$ 34,369,214
Deduct:	
Short-term portion of bonds payable	(2,165,000)
Long-term portion of bonds payable	(12,450,000)
Net investment in capital assets	$ 19,754,214

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

October 17, 2017

To the Board of Education
Allegany-Limestone Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Allegany-Limestone Central School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the 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*.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

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.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

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

October 17, 2017

To the Board of Education of the
Allegany-Limestone Central School District

Report on Compliance for Each Major Federal Program

We have audited the Allegany-Limestone Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Major Federal Program

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

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(Continued)

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

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

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

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

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

Bonadio & Co., LLP

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through New York State Education Department -			
Title I Grants to Local Educational Agencies	84.010	0021-17-0135	$ 213,786
Improving Teacher Quality State Grants	84.367	0147-17-0215	53,641
Special Education Cluster -			
Special Education - Grants to States	84.027	0033-17-0046	266,564
Special Education - Preschool Grants	84.173	0032-17-0046	10,813
Subtotal Special Education Cluster			277,377
Total Passed through New York State Education Department			544,804
Total U.S. Department of Education			544,804
U.S. Department of Agriculture:			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	23,924
Passed through New York State Dept. of Education -			
National School Lunch Program	10.555	N/A	184,347
School Breakfast Program	10.553	N/A	35,091
Total Passed through New York State Education Department			219,438
Subtotal Child Nutrition Cluster			243,362
Total U.S. Department of Agriculture			243,362
Total Expenditures of Federal Awards			$ 788,166
Total Program Expenditures by CFDA Number			
National School Lunch Program	10.555	N/A	$ 208,271

The accompanying notes are an integral part of this schedule.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Allegany-Limestone Central School District (District), under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the District's general ledger.

The District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH PROGRAMS

Where the District receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the District's financial management system. The District has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards, as available.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

5. MATCHING COSTS

Matching costs, i.e., the District's share of certain program costs, are not included in the reported expenditures.

6. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary" program. During the year ended June 30, 2017, the District received food commodities, the fair value of which amounted to $23,924, is presented in the Schedule as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the District's single audit.

ALLEGANY-LIMESTONE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. Summary of Auditor's Results

Financial Statements

Type of independent auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	__ yes _X_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	__ yes _X_ none reported
Noncompliance material to financial statements noted?	__ yes _X_ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	__ yes _X_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	__ yes _X_ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	__ yes _X_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555; 10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	_X_ yes ___ no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None.