

STATEMENT

OF

ANNUAL FINANCIAL AND OPERATING INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT
AT CHAMPLAIN

CLINTON COUNTY, NEW YORK

DATED: DECEMBER 15, 2016

**NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT AT CHAMPLAIN
CLINTON COUNTY, NEW YORK**

103 Route 276
Champlain, NY 12919
Telephone: 518/298-8242
Fax: 518/298-4293

BOARD OF EDUCATION

Greg Sample – President
Robert McDonough – Vice President

Alan Cardin
Stephen Southwick
Ann Leduc
Jerry LaValley
Mandie Bechard

School District Officials

Robb Garrand, Superintendent of Schools
Kim Boyea, District Clerk
Jennifer Brown, School Business Manager
Shelly Brooks, District Treasurer

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: <http://www.munistat.com>

**STATEMENT OF ANNUAL FINANCIAL
AND OPERATING INFORMATION**

**NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT AT CHAMPLAIN
CLINTON COUNTY, NEW YORK**

The material set forth herein, including the cover page, has been prepared by the Northeastern Clinton Central School District at Champlain, Clinton County, New York (the "District", the "County", and the "State", respectively) in connection with its obligation to prepare and submit such material in accordance with its Continuing Disclosure Undertaking and its Official Statements having been prepared in connection with the sale and issuance of the following bond issues:

\$21,976,369	School District Serial Bonds - 2009 A
\$ 210,150	Bus Acquisition Bonds - 2013
\$ 249,500	School District Serial Bonds – 2014
\$ 330,505	School District Serial Bonds – 2015
\$ 450,000	School District Serial Bonds – 2016

THE DISTRICT

Description

The District has an area of approximately 125 square miles and is located in the northeast corner of the State approximately 25 miles north of the City of Plattsburgh. The District's eastern boundary is the western shore of Lake Champlain and it borders Canada on the north. The District includes major parts of the Towns of Champlain and Mooers and minor portions of the Towns of Chazy and Altona and includes the Villages of Champlain and Rouses Point. The area combines dairying, farming and residential areas and also some commercial and industrial operations.

Residential development consists mainly of single family dwellings from moderate priced homes to fine lake-front dwellings fronting on Lake Champlain. Considerable motel accommodations are located within the District which is situated about 40 miles south of Montreal, Canada and is bisected by Interstate Route 87 (Northway), the express highway connecting Albany and Canada.

There are four ports of entry located in the District with the Champlain Port being one of the largest in the United States. Hundreds of thousands of tourists and millions of dollars of goods pass through these ports annually, and large numbers of Canadians use the beaches, marinas, and recreational facilities in the District.

Transportation facilities include the Delaware & Hudson Railroad (freight), AMTRAK (passenger) and Greyhound bus service to New York City, Syracuse and Montreal. In addition to the Northway, US Routes 9,11, and New York Route 22 traverse the District. Air travel is provided at Plattsburgh, Montreal and Burlington.

District Organization

The Board of Education, which is the policy-making body of the District, consists of seven members with overlapping five-year terms so that as nearly an equal number as possible is elected to the Board each year. The President and the Vice President are selected by the Board members.

The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by the Board, include the Superintendent of Schools, the School District Clerk, School Business Manager and the District Treasurer.

Enrollment History

The following table presents the past school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2012-2013	1,375
2013-2014	1,349
2014-2015	1,389
2015-2016	1,375
2016-2017	1,356

Source: District Officials.

Projected Future Enrollment

The following table presents the projected future school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2017-2018	1,400
2018-2019	1,400

Source: District Officials.

District Facilities

The District operates three schools and offices; statistics relating to each are shown below.

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Date of Last Addition</u>
Mooers Elementary School	K-5	1912	1958
Rouses Point Elementary School	K-5	1940	2009
Champlain Middle Senior High School	6-12	1958	2000

Employees

The collective bargaining agents, if any, which represent employees and the dates of expirations of the various collective bargaining agreements are as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
NCCS Teachers Association	06/30/2018	129
NCCS Civil Service Employees Association	06/30/2018	77
NCCS Educational Secretarial Association	06/30/2017	10
Administrative and Supervisory Council	06/30/2021	13
Confidential Managerial	06/30/2018	7
Supervisory	06/30/2018	2
Business Manager	06/30/2018	1

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the District.

<u>Year</u>	<u>District</u>
2010	9,030
2011	9,199
2012	9,115
2013	8,702
2014	8,604

Source: U.S. Bureau of the Census.

Income Data

Income data are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the County of Clinton. The information set forth below with respect to such County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the District is necessarily representative of the County or State or vice versa.

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Clinton County	\$11,444	\$17,946	\$22,607	\$22,553
New York State	16,501	23,389	30,791	32,829

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Clinton County	\$26,903	\$37,028	\$46,843	\$45,377
New York State	32,965	43,393	55,217	58,687

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 1-Year Estimate (2015)

Selected Listing of Larger Employers in Clinton County
(As of 2016)

<u>Company</u>	<u>Estimated Number of Employees</u>
WYETH-AWARST Pharmaceuticals Inc.	500+
CV-PH Medical Center	500+
Clinton County Correctional Facility	500+
Clinton County	500+
State University at Plattsburgh	500+
Bombardier Transit Corp.	101-500
Georgia-Pacific	101-500
UPS Supply Chain Solutions	101-500
Pactiv Corp.	101-500
NYS Electric and Gas Corp.	101-500

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the County of Clinton. The information set forth below with respect to such County is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the District is necessarily representative of the County or vice versa.

<u>Annual Averages:</u>	<u>County of Clinton (%)</u>	<u>New York State (%)</u>
2011	9.7	8.0
2012	9.9	8.6
2013	8.7	7.7
2014	6.9	6.4
2015	5.9	5.3
2016 (8 Months)	5.4	4.9

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Computation of Debt Limit and Debt Contracting Margin
(As of December 15, 2016)

<u>In Town of (2015-2016) ^a:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Altona	\$ 3,276,670	100.00	\$ 3,276,670
Champlain	351,244,509	100.00	351,244,509
Chazy	24,798,170	100.00	24,798,170
Mooers	143,061,450	100.00	143,061,450
Altona	<u>3,276,670</u>	100.00	<u>3,276,670</u>
Totals	\$522,380,799		\$522,380,799
Debt Limit - 10% of Full Valuation			\$52,238,080
Inclusions: ^b			
Outstanding Bonds			\$14,995,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>14,995,000</u>
Exclusions (Estimated Building Aid) ^c			<u>11,398,622</u>
Total Net Indebtedness			<u>3,596,378</u>
Net Debt Contracting Margin			<u><u>\$48,641,701</u></u>
Per Cent of Debt Contracting Margin Exhausted			6.88%

- ^a. The latest completed assessment roll for which a State Equalization Rate has been established.
- ^b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.
- ^c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

The District has no short-term indebtedness outstanding as of the date of this Statement.

Trend of Outstanding Indebtedness
As at June 30:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds	\$21,595,000	\$19,505,150	\$17,874,500	\$16,200,505	\$14,995,000
BANs	0	0	0	0	0
Other	0	0	0	0	0
Total	<u>\$21,595,000</u>	<u>\$19,505,150</u>	<u>\$17,874,500</u>	<u>\$16,200,505</u>	<u>\$14,995,000</u>

Debt Service Requirements - Outstanding Bonds

<u>FYE June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$1,735,000	\$587,880	\$2,322,880
2018	1,805,000	524,695	\$2,329,695
2019	1,850,000	458,136	\$2,308,136
2020	1,875,000	388,708	\$2,263,708
2021	1,885,000	317,001	\$2,202,001
2022	1,870,000	243,738	\$2,113,738
2023	1,945,000	168,938	\$2,113,938
2024	<u>2,030,000</u>	<u>86,275</u>	<u>\$2,116,275</u>
	<u>\$14,995,000</u>	<u>\$2,775,370</u>	<u>\$17,770,370</u>

Authorized and Unissued Debt

As of the date of this Statement, the District has no authorized but unissued debt outstanding.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Clinton	6/17/2016	11.95	\$7,019,116	\$6,905,591
Town of Altona	12/31/2014	2.89	-	-
Town of Champlain	12/31/2014	93.77	\$416,520	\$416,520
Town of Chazy	12/31/2014	10.90	\$143,391	\$143,391
Town of Mooers	12/31/2014	90.65	-	-
Village of Champlain	5/31/2015	100.00	140,000	140,000
Village of Rouses Point	5/31/2015	100.00	<u>4,248,992</u>	<u>4,248,992</u>
Totals			<u>\$11,968,019</u>	<u>\$11,854,494</u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios
(As of December 15, 2016)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$14,995,000	\$1,743	2.87
Net Direct Debt	3,596,378	418	0.69
Total Direct & Applicable Total Overlapping Debt	26,963,019	3,134	5.16
Net Direct & Applicable Net Overlapping Debt	15,450,872	1,796	2.96

a. The current population of the District is 8,604.

b. The full valuation of taxable property is \$522,380,799.

FINANCES OF THE DISTRICT

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2016. A copy of such report is included herein as Appendix B.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the GML, the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Education of the District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transaction, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real 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 and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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.

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See "*The Levy Limit Law*" herein).

On May 17, 2016, a majority of the voters of the District approved the District's budget for the 2016-2017 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2015-2016 and 2016-2017 may be found in Appendix A, herein.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See "*Tax Information*" herein.

State Aid

In addition to the amount of State aid budgeted by the District, the State is expected to make STAR payments representing tax savings provided by school districts to their taxpayers under the STAR Program (See "*STAR - School Tax Exemption*" herein).

The District is dependent in significant part on financial assistance from the State in the form of State Aid for both operating and capital purposes. Should the District in the current fiscal year or in future fiscal years fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State aid. (See “*Events Affecting State Aid to New York State School Districts*” herein).

The State is not constitutionally obligated to maintain or continue State aid to the School District. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget and other circumstances including State fiscal stress. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. State budgetary restrictions, which eliminate or substantially reduce State aid could have a material adverse effect upon the School District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Recent Events Affecting State Aid to New York School Districts

State aid to school districts in the State has declined in some recent years.

School district fiscal year (2009-2010): Total State aid for the 2009-2010 fiscal year was maintained at the 2008-2009 levels in part due to the use of Federal aid made available as part of the American Reinvestment and Recovery Act of 2009 (“ARRA”). During said fiscal year, the District’s receipt of State aid was delayed as a result of several initiatives adopted by then Governor Paterson in response to the State’s ongoing and worsening fiscal crisis. Despite such delays, the District did receive all of the State aid due to it for the fiscal year ended June 30, 2010.

School district fiscal year (2010-2011): The total reduction in State aid for the 2010-2011 fiscal year was approximately \$2.1 billion; however, this amount was partially offset by \$726,000,000 in Federal aid for education, including funding from ARRA and other federal initiatives. As a result, the net State aid reduction totaled approximately \$1.4 billion.

School district fiscal year (2011-2012): The total reduction in State aid for the 2011-2012 fiscal year was \$1.3 billion or 6.1 percent from the previous year, and all aid was received on time.

School district fiscal year (2012-2013): The State Legislature adopted the State budget on March 30, 2012. The budget included an increase of \$751 million in State aid for school districts.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of \$936.6 million in State aid for school districts.

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The Enacted 2014-2015 State Budget included a \$1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the State aid increase. The Enacted 2014-2015 State Budget restored \$602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The Enacted 2014-2015 State Budget invested \$1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of \$1.4 billion in State aid for school districts, that was tied to changes in the teacher evaluation and tenure process. The District obtained approval of its revised teacher evaluation plans and received their allotted increase in State aid.

School district fiscal year (2016-2017): The 2016-17 State budget includes a school aid increase of \$991 million over 2015-16, \$863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the Governor’s budget includes a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment (the “GEA”). The majority of the remaining increase includes \$100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. Further information may be obtained at the official website of the New York State Divisions of Budget and the New York State Education Department.

The following table sets forth the percentage of the District’s General Fund revenue comprised of State aid for each of the fiscal years 2016, and the 2017 budget.

<u>FYE June 30:</u>	<u>General Fund Total Revenue</u>	<u>State Aid</u>	<u>State Aid to Revenues (%)</u>
2012	\$24,246,306	\$13,096,654	54.02
2013	25,001,483	14,134,315	56.53
2014	25,176,307	13,892,847	55.18
2015	26,294,539	15,178,087	57.72
2016	27,489,552	16,304,458	59.31
2017 (Budgeted)	28,576,383	16,752,467	58.62

a. Budgeted revenues include the application of reserves and fund balance.

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System (“TRS”). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee’s Retirement System (“ERS”). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year’s full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. The new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee’s pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The District has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

In addition, in Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing ERS SCO. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts.

The TRS SCO deferral plan is available to school districts for up to 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five 21 years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%. The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years.

<u>FYE June 30:</u>	<u>TRS</u>	<u>ERS</u>
2012	\$822,834	\$354,644
2013	1,066,260	486,792
2014	1,082,284	473,123
2015	1,384,835	437,687
2016	1,551,568	413,035

Source: Audited Financial Statements.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every two years for the District.

The following table shows the components of the District’s annual OPEB cost for the year 2016, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>FYE June 30:</u>
Annual required contribution (ARC)	\$6,487,095
Interest on net OPEB obligation	1,066,328
Less: Adjustments to ARC	<u>(1,725,325)</u>
Annual OPEB cost (expense)	5,828,098
Less: Contributions made	<u>(1,946,521)</u>
Increase in net OPEB obligation	3,881,577
Net OPEB obligation-beginning of year	<u>26,658,189</u>
Net OPEB obligation-end of year	<u><u>\$30,539,766</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed (%)</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$5,828,098	33.4	\$30,539,766
June 30, 2015	5,582,823	34.1	26,658,189
June 30, 2014	6,640,790	34.2	22,979,027

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District’s finances and could force the District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the District to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Towns of Altona, Champlain, Chazy and Mooers. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services, which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations. (However, See “*The Tax Levy Limit Law*” herein).

The following table sets forth the percentage of the District’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2012 through 2016, and for the 2017 budget.

<u>FYE June 30:</u>	<u>General Fund Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2012	\$24,246,306	\$10,188,818	42.02
2013	25,001,483	10,288,185	41.15
2014	25,176,307	10,577,097	42.01
2015	26,294,539	10,513,156	39.98
2016	27,489,552	10,426,745	37.93
2017 (Budgeted) ^a	28,576,383	10,593,115	37.07

a. Budgeted revenues include the application of reserves and fund balance.

Tax Collection Procedure

Taxes are due and payable during the month of September. Taxes paid during the month of October are subject to a 2% penalty fee. All taxes remaining unpaid after November 15 are turned over to the County for collection. The County reimburses the District in full before the end of the District's fiscal year.

The Tax Levy Limit Law

Chapter 97 of the Laws of 2011, as amended, (herein referred to as the “Tax Levy Limit Law” or “Law”) modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district’s budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

On February 20, 2013, the New York State United Teachers (“NYSUT”) and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT’s causes of action but granted NYSUT’s motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015, a New York State Supreme Court Justice denied NYSUT’s motion for a preliminary injunction and dismissed all causes of action contained in NYSUT’s second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016, the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution “does not require that equal educational offerings be provided to every student”, and further noted “the legitimate government interest of restraining crippling property tax increases”. Press reports indicate that NYSUT is reviewing the decision and is likely to appeal to the Court of Appeals.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 (“Chapter 59”), included provisions which provided a refundable tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts were eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government were eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must have complied in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have had their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must have been within the tax cap limits set by the Tax Levy Limit Law for the real property taxpayers to be eligible for this tax credit. The affected jurisdictions included counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which were indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the tax credit were set forth in Chapter 59 in order for the tax cap to qualify as one which would have provided the tax credit benefit to such real property taxpayers. The refundable tax credit amount was increased in the second year if compliance occurred in both taxable years.

For the second taxable year of the program, the refundable tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrated “three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts were required to provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limit Law. The District complied with the provisions of Chapter 59 and its taxpayers received the rebates provided in 2015 and 2016.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015, which generally extends the provisions of the program through 2019 and includes continued tax cap compliance.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed in full by the State for real property taxes exempted pursuant to the STAR program on or before the first business day of January in each year.

Approximately 15% of the District's 2015-2016 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 15% of the District's 2016-2017 school tax levy is expected to be exempted by the STAR program and. (See "State Aid" herein).

Valuations, Rates Levies and Collections

A summary of Valuations, Rates and Levies is contained in Appendix A.

Selected Listing of Large Taxable Properties 2015-2016 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
New York State Electric & Gas Co.	Utility	\$29,244,839
Akrimax Manufacturing LLC	Manufacturing	25,098,750
Champlain Telephone Co.	Utility	4,609,736
Antonio B. Pomerleau Family	Shopping Center	3,759,800
Kimpex Leasing	Warehouse	3,275,000
AN Deringer Inc.	Warehouse	3,134,500
Belcam Inc.	Warehouse	3,000,000
Testori Interiors Inc.	Commercial	2,800,000
SIJ Group LLC	Warehouse	2,500,000
North Country Gas Pipeline Co.	Utility	2,477,586
	Total ^a	<u><u>\$79,900,211</u></u>

a. Represents 15.38% of the total full valuation of the District for 2015-2016.
Source: Town Assessment Rolls.

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

Tax Certiorari Proceedings

From time to time the District is involved in tax certiorari proceedings from residents petitioning to have their assessed taxable values lowered. The District established a tax certiorari and any resources deposited to the reserve which are not expended for the tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

RATING

Standard & Poor's Corporation has assigned a rating of "A+ Negative Outlook" to the outstanding bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

Munistat Services, Inc., Port Jefferson Station, New York has assisted the District as municipal advisor in certain matters with respect to the preparation of this Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Superintendent of Schools, 103 Route 276, Champlain, New York, 12919, telephone number (518) 298-8242 or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: www.munistat.com.

So far as any statements made in this Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Statement is submitted only in connection with the District's "Continuing Disclosure Undertaking" pursuant to Rule 15c2-12 as promulgated by the Securities and Exchange Commission and may not be reproduced or used in whole or in part for any other purpose.

By: s/s GREG SAMPLE
President of the Board of Education
Northeastern Clinton Central School District
Champlain, New York

December 15, 2016

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Equity
General Fund
Fiscal Year Ending June 30:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	8,160,990	8,322,933	8,562,547	8,548,257	8,519,577
Charges for Services	8,243	4,055	4,802	7,050	8,475
Other Tax Items/STAR Aid	2,027,828	1,965,252	2,014,550	1,964,899	1,907,168
Other District and Governments	276,524	205,838	285,470	333,341	263,696
Use of Money and Property	10,673	4,951	2,585	1,961	9,992
Sale of Property & Comp. for Loss	29,581	15,744	7,772	7,322	8,907
Miscellaneous	485,120	289,486	253,073	224,834	351,366
Interfund Revenues					
State Sources	13,096,654	14,134,315	13,892,847	15,178,087	16,304,458
Federal Sources	150,693	58,909	152,661	28,788	115,913
Total Revenues	24,246,306	25,001,483	25,176,307	26,294,539	27,489,552
Other Sources					
Interfund Transfers		5			
Total Revenues And Other Sources	24,246,306	25,001,488	25,176,307	26,294,539	27,489,552
Expenditures:					
General Support	2,210,363	2,150,706	2,315,672	2,280,270	2,318,344
Instruction	13,131,401	12,606,791	12,254,824	12,742,335	12,533,151
Pupil Transportation	1,349,820	1,229,879	1,270,661	1,317,120	1,203,336
Community Services					
Employee Benefits	7,002,790	7,241,559	7,585,430	7,680,974	7,027,470
Debt Service	3,235,140	3,146,295	2,648,946	2,707,495	2,296,845
Total Expenditures	26,929,514	26,375,230	26,075,533	26,728,194	25,379,146
Other Uses					
Interfund Transfers		(175,504)			
Total Expenditures And Other Uses	26,929,514	26,550,734	26,075,533	26,728,194	25,379,146
Excess (Deficit) of Revenues over Expenditures	(2,683,208)	(1,549,246)	(899,226)	(433,655)	2,110,406
Operating Transfers In	869		44,831	1	48
Operating Transfers Out	(114,598)		(120,315)	(186,489)	(26,121)
Total Other Sources and Uses	(113,729)	0	(75,484)	(186,488)	(26,073)
Fund Equity Beginning of Year	10,663,724	7,866,787	6,317,541	5,342,831	4,722,688
Prior Period Adjustment					
Fund Equity End of Year	7,866,787	6,317,541	5,342,831	4,722,688	6,807,021

Source: Audited Annual Financial Reports of the School District. Table itself is not audited.

Balance Sheet - General Fund

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
ASSETS:			
Cash	\$ 5,078,282	\$ 4,877,167	\$ 6,822,245
Cash - Special Reserves	229,786	229,892	
Due from Other Funds	230,266	336,809	460,958
Accounts Receivables	57,866	53,360	53,348
Deposit Electric Reserve		14,540	14,338
Due From State and Federal	<u>1,517,489</u>	<u>1,035,249</u>	<u>1,036,774</u>
 Total Assets	 <u>\$ 7,113,689</u>	 <u>\$ 6,547,017</u>	 <u>\$ 8,387,663</u>
 LIABILITIES:			
Accounts Payable	\$ 94,862	\$ 101,477	\$ 53,052
Due to Other Funds	178,699	59,059	47,909
Due to Teachers Retirement System	1,384,835	1,551,567	1,193,538
Due to Employees Retirement Systems	109,422	103,259	93,608
Compensated Absences	<u>3,040</u>	<u>8,967</u>	<u>192,535</u>
 Total Liabilities	 <u>1,770,858</u>	 <u>1,824,329</u>	 <u>1,580,642</u>
 FUND BALANCES:			
Reserved for Employee Benefits	1,675,789	1,975,789	2,359,806
Reserved for Insurance	33,270	33,287	33,303
Reserved for Retirement Contribution	50,409	50,434	50,459
Reserved for Tax Certiorari	61,493		
Unemployment	37,504	37,518	37,579
 ASSIGNED:			
Central Services		6,798	
Teaching		271	
Pupil Services		16,448	
Pupil Transportation		330	
Appropriated Fund Balanc		500,000	500,000
Unreserved Funds:			
Tax Reduction	1,552,531	47,132	47,156
Undesignated	<u>1,931,835</u>	<u>2,054,681</u>	<u>3,778,718</u>
 Total Fund Equity	 <u>5,342,831</u>	 <u>4,722,688</u>	 <u>6,807,021</u>
 Total Liabilities and Fund Equity	 <u>\$ 7,113,689</u>	 <u>\$ 6,547,017</u>	 <u>\$ 8,387,663</u>

NOTE: This schedule itself is NOT audited.
Source: Audited Annual Financial Reports of the School District.

**Budget Summary
General Fund**

Fiscal Year Ending June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:			
Real Property Taxes and Tax Items	\$ 10,511,097	\$ 10,711,017	\$ 10,593,115
Charges for Services	5,250	10,250	217,750
Use of Money and Property	3,000	3,000	3,000
Sale of Property & Comp. for Loss	2,000	77,000	2,000
Miscellaneous	167,750	92,750	408,051
Interfund Revenues			
Other Governments	233,000	286,000	
State Sources	15,135,420	15,877,500	16,752,467
Federal Sources	100,000	100,000	100,000
Appropriated Fund Balance	<u>1,500,000</u>	<u>500,000</u>	<u>500,000</u>
 Total Revenues	 <u><u>27,657,517</u></u>	 <u><u>27,657,517</u></u>	 <u><u>28,576,383</u></u>
Expenditures:			
General Support	2,945,836	3,045,262	2,582,911
Instruction	12,446,912	12,995,240	14,081,015
Pupil Transportation	1,262,611	1,287,759	1,336,442
Employee Benefits	8,142,614	8,037,713	8,514,277
Debt Service	2,707,544	2,291,543	2,061,738
Interfund Transfers	<u>152,000</u>	<u> </u>	<u> </u>
 Total Expenditures	 <u><u>\$ 27,657,517</u></u>	 <u><u>\$ 27,657,517</u></u>	 <u><u>\$ 28,576,383</u></u>

FINANCIAL INFORMATION

Fiscal Year Ending June 30:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed and Full Valuations					
Assessed Valuation:					
Town:					
Altona	\$ 2,994,332	\$ 2,979,648	\$ 2,983,107	\$ 3,086,079	\$ 3,265,917
Champlain	358,157,294	358,653,244	355,373,474	352,515,931	350,143,828
Chazy	25,700,766	25,069,039	24,574,602	24,492,832	25,009,485
Moors	137,956,158	137,998,268	137,370,663	139,450,049	141,131,848
Total Assessed Valuation	\$ <u>524,808,550</u>	\$ <u>524,700,199</u>	\$ <u>520,301,846</u>	\$ <u>519,544,891</u>	\$ <u>519,551,078</u>

Equalization Rates:

Town:					
Altona	100.00%	100.00%	100.00%	100.00%	100.00%
Champlain	100.00%	100.00%	100.00%	100.00%	100.00%
Chazy	100.00%	100.00%	100.00%	100.00%	100.00%
Moors	100.00%	100.00%	100.00%	100.00%	100.00%

Full Valuation:

Town:					
Altona	\$ 2,994,332	\$ 2,979,648	\$ 2,983,107	\$ 3,086,079	\$ 3,265,917
Champlain	358,157,294	358,653,244	355,373,474	352,515,931	350,143,828
Chazy	25,700,766	25,069,039	24,574,602	24,492,832	25,009,485
Moors	137,956,158	137,998,268	137,370,663	139,450,049	141,131,848
Total Full Valuation	\$ <u>524,808,550</u>	\$ <u>524,700,199</u>	\$ <u>520,301,846</u>	\$ <u>519,544,891</u>	\$ <u>519,551,078</u>

Real Property Taxes

Total Tax Levy	\$ 8,220,362	\$ 8,349,858	\$ 8,585,445	\$ 8,569,933	\$ 8,542,633
Amount Collected	6,730,673	6,874,329	7,033,689	7,077,662	7,125,810
Returned to County	\$ <u>1,489,689</u>	\$ <u>1,475,529</u>	\$ <u>1,551,756</u>	\$ <u>1,492,271</u>	\$ <u>1,416,823</u>
Uncollected End of Year	None	None	None	None	None

Tax Rate per \$1,000 Assessed Valuation

Town:					
Altona	\$ 19.03	\$ 19.36	\$ 20.06	\$ 20.04	\$ 20.05
Champlain	19.03	19.36	20.06	20.04	20.05
Chazy	19.03	19.36	20.06	20.04	20.05
Moors	19.03	19.36	20.06	20.04	20.05

FINANCIAL INFORMATION

Fiscal Year Ending June 30:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed and Full Valuations					
Assessed Valuation:					
Town:					
Altona	\$ 2,994,332	\$ 2,979,648	\$ 2,983,107	\$ 3,086,079	\$ 3,265,917
Champlain	358,157,294	358,653,244	355,373,474	352,515,931	350,143,828
Chazy	25,700,766	25,069,039	24,574,602	24,492,832	25,009,485
Moors	137,956,158	137,998,268	137,370,663	139,450,049	141,131,848
Total Assessed Valuation	\$ <u>524,808,550</u>	\$ <u>524,700,199</u>	\$ <u>520,301,846</u>	\$ <u>519,544,891</u>	\$ <u>519,551,078</u>

Equalization Rates:

Town:					
Altona	100.00%	100.00%	100.00%	100.00%	100.00%
Champlain	100.00%	100.00%	100.00%	100.00%	100.00%
Chazy	100.00%	100.00%	100.00%	100.00%	100.00%
Moors	100.00%	100.00%	100.00%	100.00%	100.00%

Full Valuation:

Town:					
Altona	\$ 2,994,332	\$ 2,979,648	\$ 2,983,107	\$ 3,086,079	\$ 3,265,917
Champlain	358,157,294	358,653,244	355,373,474	352,515,931	350,143,828
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Moors	137,956,158	137,998,268	137,370,663	139,450,049	141,131,848
Total Full Valuation	\$ <u>524,808,550</u>	\$ <u>524,700,199</u>	\$ <u>520,301,846</u>	\$ <u>519,544,891</u>	\$ <u>519,551,078</u>

Real Property Taxes

Total Tax Levy	\$ 8,220,362	\$ 8,349,858	\$ 8,585,445	\$ 8,569,933	\$ 8,542,633
Amount Collected	6,730,673	6,874,329	7,033,689	7,077,662	7,125,810
Returned to County	\$ <u>1,489,689</u>	\$ <u>1,475,529</u>	\$ <u>1,551,756</u>	\$ <u>1,492,271</u>	\$ <u>1,416,823</u>
Uncollected End of Year	None	None	None	None	None

Tax Rate per \$1,000 Assessed Valuation

Town:					
Altona	\$ 19.03	\$ 19.36	\$ 20.06	\$ 20.04	\$ 20.05
Champlain	19.03	19.36	20.06	20.04	20.05
Chazy	19.03	19.36	20.06	20.04	20.05
Moors	19.03	19.36	20.06	20.04	20.05

**NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT AT
CHAMPLAIN**

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORTS IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

**NORTHEASTERN CLINTON
CENTRAL SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2016 AND 2015

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BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Northeastern Clinton Central School District
Champlain, New York 12919

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Northeastern Clinton Central School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's 2015 financial statements, and in our report dated September 28, 2015, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 13), budgetary comparison information (pages 52 & 53), Schedule of Funding Progress Other Post Employment Benefits Plan (page 56) and Schedules of District's Proportionate Share of the Net Pension Liability – ERS and TRS, and Schedules of the District's Contributions – ERS and TRS (pages 57-60) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the Northeastern Clinton Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeastern Clinton Central School District's internal control over financial reporting and compliance.

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC

September 28, 2016

Management Discussion and Analysis

Within this section of the Northeastern Clinton Central School District's annual financial report, the School's management provides narrative discussion and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. The School's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the auditor's opinion letter, which precedes management's discussion and analysis.

Financial Highlights

District revenues increased to \$29.1 million in fiscal year 2016 from \$27.9 million in 2015, a 4.3% increase.

The District expended \$29.3 million in fiscal year 2016 compared to \$29.9 million in 2015. This represents a 1.9% decrease.

The District's total assets, in accordance with GASB 34 accounting, were \$45.6 million as of June 30, 2016 compared to \$45.1 million in 2015.

The District's total liabilities, in accordance with GASB 34 accounting, were \$51.1 million as of June 30, 2016 compared to \$47.5 million in 2015.

The District implemented GASB 45 during the year ended June 30, 2009. During the year ended June 30, 2016, a \$3,881,577 expense and \$30,539,766 liability are recognized in the District-Wide Financial Statements.

Overview of the Financial Statements

Management's discussion and analysis introduces the School's basic financial statements. The basic financial statements include: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

District-Wide Financial Statements

The Governmental Accounting Standards Board's Statement #34 requires that reporting financial status take place in a district-wide format. The School's annual report includes two such district-wide financial statements, which provide both long-term and short-term information about the School's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these district-wide statements is the Statement of Net Position. This is a school-wide statement of position presenting information that includes all of the School's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall financial position of the School is improving or deteriorating. In addition to the financial information provided in this report, evaluation of the overall health of the School would extend to other non-financial factors such as diversification of the taxpayer base, the continued financial support of the State and Federal governments, and the condition of the School's infrastructure.

The second district-wide statement is the Statement of Activities. This statement reports how the School's net position changed during the current fiscal year. All current revenues and expenditures are included regardless of when cash is received or paid. An important purpose for the design of the statement of activities is to show the financial reliance of the School's distinct activities or functions on revenues provided by the School's taxpayers.

Both of the district-wide financial statements distinguish government activities of the School that are principally supported by State and Federal sources, intergovernmental revenues, such as operating grants, and revenue from the local tax levy. Fiduciary activities, such as those for which the accounting occurs in the trust and agency fund, are not included in the government-wide statements since these assets are not available to fund the School programs.

The district-wide financial statements are presented on pages 14 and 15 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds to ensure and demonstrate compliance with finance-related law and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds rather than the School as a whole. Major funds are reported separately while all others are combined in a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report. The School has two kinds of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide statements, the governmental fund statements focus on the near-term inflows and outflows of resources available for spending. These statements illustrate short-term fiscal accountability in the use of such resources and the balances of such resources at the end of the fiscal year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of such resources for the near-term.

Since the district-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance have been reconciled in the notes to the financial statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the supplemental financial statements for the General Fund. These statements and schedules demonstrate regulatory compliance with the School's adopted and final revised budget.

The basic governmental fund financial statements are presented on pages 16 through 17 of this report.

Fiduciary Funds such as the scholarship fund and extra-classroom activity fund are reported in the fiduciary fund financial statements, but are excluded from the district-wide reporting. Fiduciary fund financial statements report resources that are not available to fund school programs.

The basic fiduciary fund financial statements are presented on pages 18 and 19 of this report.

Notes to Financial Statements

Notes to Financial Statements provide information essential to a full understanding of the district-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also includes supplementary information beginning on page 49.

Financial Analysis of the District as a Whole

The District's net position at fiscal year-end is (\$5,183,228). This represents a \$240,599 decrease from last year's net position of (\$4,942,629). The following table provides a summary of the School's net position:

	<u>Summary of Net Position</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>
Current and Other Assets	\$ 15,317,589	\$ 13,766,900
Capital Assets	30,292,802	31,354,486
Total Assets	45,610,391	45,121,386
Deferred Outflow of Resources		
Pensions	2,516,795	1,686,560
Total Assets and Deferred Outflow of Resources	\$ 48,127,186	\$ 46,807,946
Long-Term Liabilities	\$ 50,809,042	\$ 47,310,252
Other Liabilities	249,023	188,201
Total Liabilities	51,058,065	47,498,453
Deferred Inflow of Resources		
Pensions	2,252,349	4,252,122
Net Assets		
Net Investment in Capital Assets	15,484,515	15,461,257
Restricted:		
Debt Service	1,354	1,179
Capital Projects	186,713	307,276
Unemployment Reserve	37,579	37,518
Insurance Reserve	33,303	33,287
Retirement Reserve	50,459	50,434
Employee Benefit Accrued Liability Reserve	2,359,806	1,975,789
Unrestricted	(23,336,957)	(22,809,369)
Total Net Assets	(5,183,228)	(4,942,629)
Total Liabilities, Deferred Inflows and Net Assets	\$ 48,127,186	\$ 46,807,946

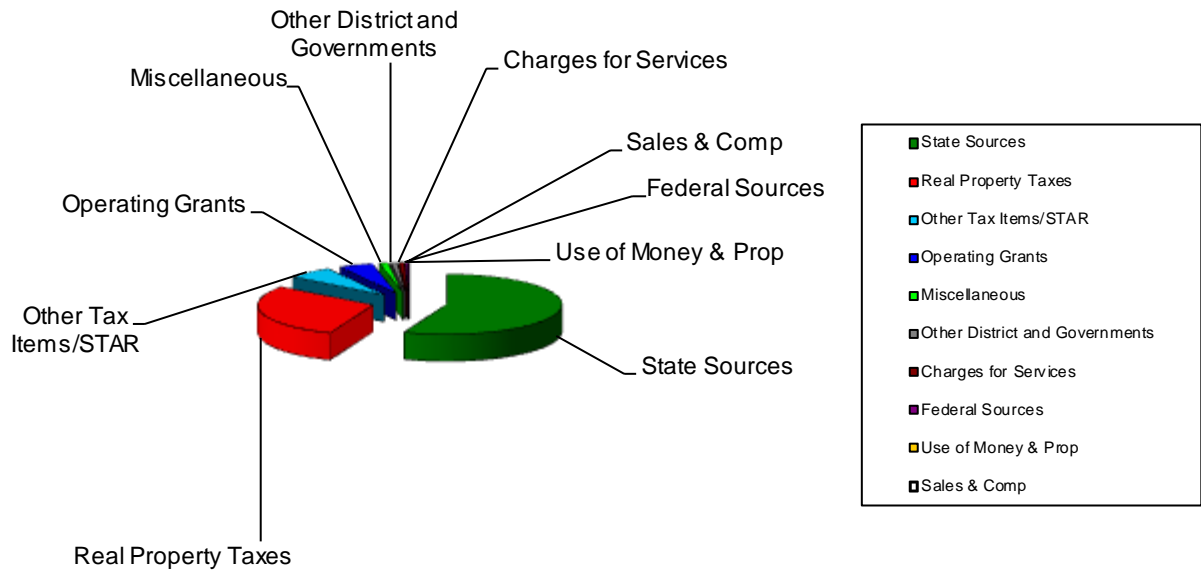
In 2016, Program Revenues of \$1.6 million combined with General Revenues of \$27.5 million to generate total District Revenues of \$29.1 million. This represented a 4.3% increase compared to fiscal 2015 revenues of \$27.9 million. The biggest contributor to this increase included a 7.4% increase in state aid.

The total cost of all programs and services totaled \$29.3 million in fiscal year 2016 vs. \$29.9 million in fiscal year 2015. This represents a 1.9% decrease.

Statement of Activities
Summary of Changes in Net Position

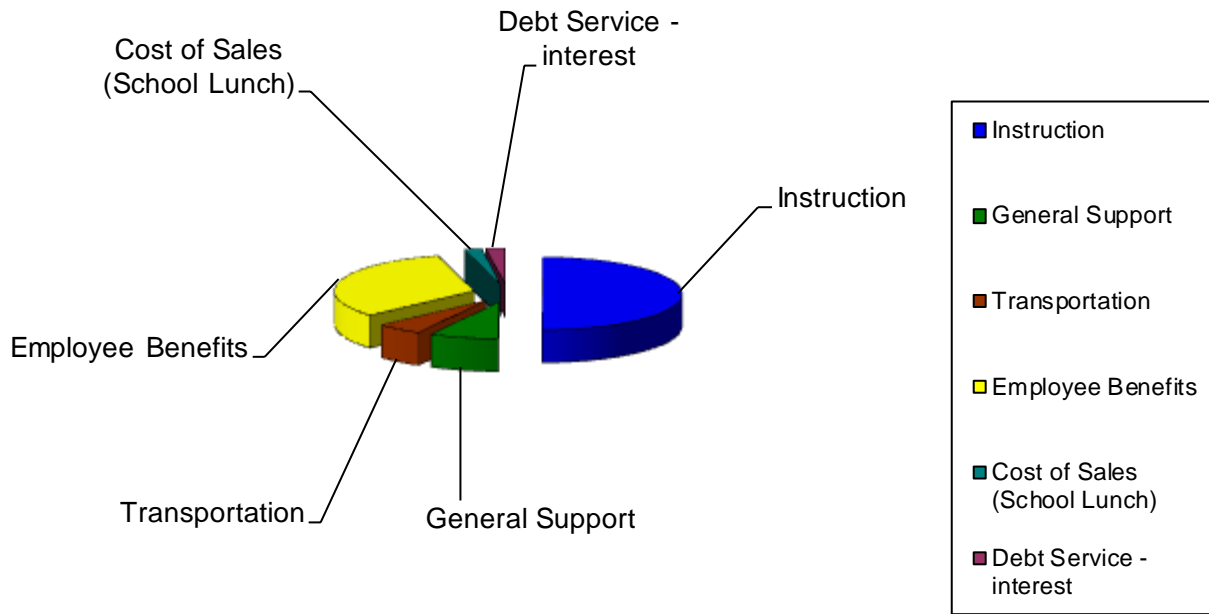
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>% Change</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 201,829	\$ 210,425	-4.1%
Operating Grants & Contributions	1,401,973	1,383,241	1.4%
Total Program Revenue	<u>1,603,802</u>	<u>1,593,666</u>	
General Revenues:			
Property Taxes	8,519,577	8,548,257	-0.3%
School Tax Relief (STAR)	1,907,168	1,964,899	-2.9%
Charges for Services	8,475	7,050	20.2%
Other District and Governments	263,696	333,341	-20.9%
Use of Money and Property	10,167	1,976	414.5%
Sale of Property & Compensation for Loss	8,907	7,322	21.6%
Miscellaneous	351,366	224,834	56.3%
State Sources	16,304,458	15,178,087	7.4%
Federal Sources	115,913	28,788	302.6%
Total General Revenue	<u>27,489,727</u>	<u>26,294,554</u>	4.5%
 Total Revenues	 <u>29,093,529</u>	 <u>27,888,220</u>	 4.3%
Expenses:			
General Government Support	2,332,616	2,285,967	2.0%
Instruction	14,677,214	14,921,567	-1.6%
Pupil Transportation	1,569,705	1,671,122	-6.1%
Employee Benefits	9,537,452	9,642,929	-1.1%
Debt Service – Interest	639,596	700,710	-8.7%
Cost of Sales – food	577,545	666,581	-13.4%
Total Expenses	<u>29,334,128</u>	<u>29,888,876</u>	-1.9%
 Increase (decrease) in Net Position:	 <u>\$ (240,599)</u>	 <u>\$(2,000,656)</u>	 -88.0%

Sources of Revenues for Fiscal Year 2016



<u>Source</u>	<u>Amount</u>
State Sources	\$ 16,304,458
Real Property Taxes	8,519,577
Other Tax Items/STAR	1,907,168
Operating Grants	1,401,973
Miscellaneous	351,366
Other District and Governments	263,696
Charges for Services	210,304
Federal Sources	115,913
Use of Money & Prop	10,167
Sales & Comp	8,907
	<u>\$ 29,093,529</u>

Sources of Expenses for Fiscal Year 2016



<u>Expenditure</u>	<u>Amount</u>	
Instruction	\$ 14,677,214	50.0%
General Support	2,332,616	8.0%
Transportation	1,569,705	5.4%
Employee Benefits	9,537,452	32.5%
Cost of Sales (School Lunch)	577,545	2.0%
Debt Service - interest	639,596	2.2%
	\$ 29,334,128	100%

Financial Analysis of the School District's Funds

As discussed, the School's governmental funds are reported in the fund statements with a modified accrual basis that focuses on the short-term, inflow and outflow of resources available for spending. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the School District consist of the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund. The total fund balance is as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Nonspendable	\$ 11,935	\$ 6,520
Restricted	2,669,214	2,405,483
Assigned	664,102	713,600
Unassigned	3,825,874	2,101,813
	<u>\$ 7,171,125</u>	<u>\$ 5,227,416</u>

As assigned balances in this fund are required by State law to be appropriated in the following year's budget, the District has assigned \$664,102 to be used as resources for certain district-wide liabilities during 2016-17. Fund balances of capital projects debt service funds are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

General Fund Budgetary Highlights

	Final Budget	Actual	Over / (Under) Revised Budget
Revenues:			
Real Property Taxes	\$ 8,565,597	\$ 8,519,577	\$ (46,020)
Other Tax Items/STAR Aid	1,936,700	1,907,168	(29,532)
Charges for Services	5,250	8,475	3,225
Other Districts and Governments	291,000	263,696	(27,304)
Use of Money and Property	3,000	9,992	6,992
Sale of Property and Compensation for Loss	2,000	8,907	6,907
Miscellaneous	168,150	351,366	183,216
State Sources	15,877,500	16,304,458	426,958
Federal Sources	100,000	115,913	15,913
Total Revenues	<u>26,949,197</u>	<u>27,489,552</u>	<u>540,355</u>
Expenditures:			
General Support:	2,385,739	2,318,344	(67,395)
Instructional	13,588,134	12,533,151	(1,054,983)
Pupil Transportation	1,333,832	1,203,336	(130,496)
Employee Benefits	7,864,732	7,027,470	(837,262)
Debt Service	2,300,607	2,296,845	(3,762)
Total Expenditures	<u>27,473,044</u>	<u>25,379,146</u>	<u>(2,093,898)</u>
Other Financing Sources			
Interfund Transfers, net	-	(26,073)	(26,073)
Appropriated reserves	23,847	-	-
	<u>23,847</u>	<u>(26,073)</u>	<u>(2,119,971)</u>
Net Change in Fund Balance	(500,000)	2,084,333	
Fund Balance - Beginning	<u>4,722,688</u>	<u>4,722,688</u>	
Fund Balance - Ending	<u>\$ 4,222,688</u>	<u>\$ 6,807,021</u>	

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2016, was \$30,292,802, which represents a decrease of 3.4% over the June 30, 2015 balance.

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Land	\$ 84,013	\$ 84,013	-
Construction In Progress	130,662	10,099	100.0
Buildings	28,060,571	29,381,670	(4.5)
Machinery and Equipment	2,017,556	1,878,704	7.4
Total	<u>\$ 30,292,802</u>	<u>\$ 31,354,486</u>	(3.4)

Long Term Debt

At the end of the fiscal year, the District had \$15.0 million in long-term general obligation bonds.

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Bonds, Current Portion	\$ 1,735,000	\$ 1,655,505	4.8%
Bonds, Long-Term	13,260,000	14,545,000	-8.8%
Total	<u>\$ 14,995,000</u>	<u>\$ 16,200,505</u>	<u>-7.4%</u>

Factors Bearing on the District's Future

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

- The newly instituted Property Tax Cap has severely limited the Districts' ability to raise revenue generated by the local tax levy. This coupled with the significant cuts in State Aid impair the Districts ability to keep up with the rising costs of contractual obligations, health insurance and retirement costs.
- The District is anticipating even more Health Care Costs with the implementation of the Affordable Care Act and is awaiting further guidance and information on just how the District will be impacted whether by providing benefits to now current exempt employees, assessment of penalties or the payment of a Cadillac tax.

Contacting the District's Financial Management

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

Northeastern Clinton Central School District
District Offices
103 Route 276
Champlain, NY 12919
(518) 298-7978

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 1

STATEMENTS OF NET POSITION
June 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash:		
Unrestricted	\$ 4,484,074	\$ 5,351,213
Restricted	2,791,474	229,892
Receivables:		
State and Federal Aid Receivable	2,039,117	1,916,598
Accounts Receivable	53,348	53,360
Inventories	11,935	6,520
Deposit, Electric Reserve	14,338	14,540
Capital Assets, Net	30,292,802	31,354,486
Net pension asset-proportionate share	5,923,303	6,194,777
Total Assets	<u>45,610,391</u>	<u>45,121,386</u>
 DEFERRED OUTFLOW OF RESOURCES		
Pensions	2,516,795	1,686,560
Total Assets and Deferred Outflows of Resources	<u>\$ 48,127,186</u>	<u>\$ 46,807,946</u>
 LIABILITIES		
Payables:		
Accounts Payable and Accrued Expenses	\$ 193,393	\$ 127,979
Due to Other governments	320	308
Due to Fiduciary Fund	47,908	52,601
Unearned Revenues	7,402	7,313
Long-Term Liabilities		
Due and payable within one year:		
Bonds Payable - Current	1,735,000	1,655,505
Due to Teacher's Retirement System	1,193,538	1,551,567
Due to Employee's Retirement System	93,608	103,259
Compensated Absences Payable	192,535	8,967
Due and payable after one year:		
Bonds Payable - Non-Current	13,260,000	14,545,000
Compensated Absences Payable	2,359,806	2,484,645
Other Post Employment Benefits	30,539,766	26,658,189
Net pension liability- proportionate share	1,434,789	303,120
Total Liabilities	<u>51,058,065</u>	<u>47,498,453</u>
 DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>2,252,349</u>	<u>4,252,122</u>
 NET POSITION		
Net Investment in Capital Assets	15,484,515	15,461,257
Restricted		
Debt Service	1,354	1,179
Capital Projects	186,713	307,276
Unemployment Reserve	37,579	37,518
Insurance Reserve	33,303	33,287
Retirement Reserve	50,459	50,434
Employee Benefit Accrued Liability Reserve	2,359,806	1,975,789
Unrestricted	(23,336,957)	(22,809,369)
Total Net Position	<u>(5,183,228)</u>	<u>(4,942,629)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 48,127,186</u>	<u>\$ 46,807,946</u>

See Notes to the Financial Statements

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 2

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

Functions/ Programs	2016			2015	
	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	OPERATING GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
General Support	\$ (2,332,616)	\$ -	\$ -	\$ (2,332,616)	\$ (2,285,967)
Instruction	(14,677,214)	-	993,655	(13,683,559)	(13,937,047)
Pupil Transportation	(1,569,705)	-	-	(1,569,705)	(1,671,122)
Employee Benefits	(9,537,452)	-	-	(9,537,452)	(9,642,929)
Debt Service	(639,596)	-	-	(639,596)	(700,710)
School Lunch Program	(577,545)	201,829	408,318	32,602	(57,435)
Total Functions and Programs	\$ (29,334,128)	\$ 201,829	\$ 1,401,973	(27,730,326)	(28,295,210)
General Revenues					
Real Property Taxes				8,519,577	8,548,257
Other Tax Items/STAR Aid				1,907,168	1,964,899
Charges for services				8,475	7,050
Other District and Governments				263,696	333,341
Use of Money and Property				10,167	1,976
Sale of Property and Compensation for Loss				8,907	7,322
Miscellaneous				351,366	224,834
State Sources				16,304,458	15,178,087
Federal Sources				115,913	28,788
Total General Revenues				27,489,727	26,294,554
Change in Net Position				(240,599)	(2,000,656)
Total Net Position - Beginning of Year				(4,942,629)	(2,941,973)
Total Net Position - End of Year				\$ (5,183,228)	\$ (4,942,629)

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 3

BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2016 and 2015

ASSETS	General	Special Revenue	Capital Projects	Debt Service	2016	2015
					TOTAL	TOTAL
Cash	\$ 4,341,098	\$ 142,976	\$ -	\$ -	\$ 4,484,074	\$ 5,351,213
Cash Restricted	2,481,147	-	310,327	-	2,791,474	229,892
Due from Other Funds	460,958	-	-	1,354	462,312	344,446
Accounts Receivable	53,348	-	-	-	53,348	53,360
Inventories	-	11,935	-	-	11,935	6,520
Deposit, Electric Reserve	14,338	-	-	-	14,338	14,540
Due from State and Federal	1,036,774	483,128	-	-	1,519,902	1,397,383
Total Assets	\$ 8,387,663	\$ 638,039	\$ 310,327	\$ 1,354	\$ 9,337,383	\$ 7,397,354
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 53,052	\$ -	\$ 115,583	\$ -	\$ 168,635	\$ 101,477
Due to Other Governments	-	320	-	-	320	308
Due to Other Funds	47,909	454,280	8,031	-	510,220	397,047
Due to Teachers' Retirement System	1,193,538	-	-	-	1,193,538	1,551,567
Due to Employees' Retirement System	93,608	-	-	-	93,608	103,259
Compensated Absences	192,535	-	-	-	192,535	8,967
Unearned Revenue	-	7,402	-	-	7,402	7,313
Total Liabilities	1,580,642	462,002	123,614	-	2,166,258	2,169,938
Fund Balances:						
Nonspendable						
Inventories	-	11,935	-	-	11,935	6,520
Restricted						
Capital Projects	-	-	186,713	-	186,713	307,276
Retirement of Long Term Debt	-	-	-	1,354	1,354	1,179
Unemployment Reserve	37,579	-	-	-	37,579	37,518
Insurance Reserve	33,303	-	-	-	33,303	33,287
Retirement Reserve	50,459	-	-	-	50,459	50,434
Employee Benefit Accrued Liability	2,359,806	-	-	-	2,359,806	1,975,789
Assigned						
School Lunch	-	164,102	-	-	164,102	189,753
Central Services	-	-	-	-	-	6,798
Teaching	-	-	-	-	-	271
Pupil Services	-	-	-	-	-	16,448
Pupil Transportation	-	-	-	-	-	330
Appropriated Fund Balance	500,000	-	-	-	500,000	500,000
Unassigned						
Tax Reduction	47,156	-	-	-	47,156	47,132
Unassigned Fund Balance	3,778,718	-	-	-	3,778,718	2,054,681
Total Fund Balances	6,807,021	176,037	186,713	1,354	7,171,125	5,227,416
Total Liabilities and Fund Balances	\$ 8,387,663	\$ 638,039	\$ 310,327	\$ 1,354	\$ 9,337,383	\$ 7,397,354

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 4

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Years Ended June 30, 2016 and 2015

	General	Special Revenue	Capital Projects	Debt Service	2016 TOTAL	2015 TOTAL
REVENUES						
Real Property Taxes	\$ 8,519,577	\$ -	\$ -	\$ -	\$ 8,519,577	\$ 8,548,257
Other Tax Items/STAR Aid	1,907,168	-	-	-	1,907,168	1,964,899
Charges for Services	8,475	-	-	-	8,475	7,050
Other Districts and Governments	263,696	-	-	-	263,696	333,341
Use of Money and Property	9,992	-	-	175	10,167	1,976
Sale of Property and Compensation for Loss	8,907	-	-	-	8,907	7,322
Miscellaneous	351,366	-	-	-	351,366	224,834
State Sources	16,304,458	266,061	-	-	16,570,519	15,453,155
Federal Sources	115,913	1,090,973	-	-	1,206,886	1,102,140
Surplus Food	-	44,939	-	-	44,939	34,821
Sales	-	201,829	-	-	201,829	210,425
Total Revenues	27,489,552	1,603,802	-	175	29,093,529	27,888,220
EXPENDITURES						
General Support	2,318,344	53,691	-	-	2,372,035	2,299,405
Instruction	12,533,151	819,276	-	-	13,352,427	13,676,869
Pupil Transportation	1,203,336	13,204	-	-	1,216,540	1,348,430
Employee Benefits	7,027,470	180,109	-	-	7,207,579	7,715,004
Debt Service	2,296,845	-	-	-	2,296,845	2,707,495
Cost of Sales	-	583,879	-	-	583,879	666,581
Capital Outlay	-	-	570,515	-	570,515	340,603
Total Expenditures	25,379,146	1,650,159	570,515	-	27,599,820	28,754,387
Excess (Deficit) of Revenues over Expenditures	2,110,406	(46,357)	(570,515)	175	1,493,709	(866,167)
OTHER SOURCES AND USES						
Proceeds from Debt	-	-	450,000	-	450,000	330,505
Operating Transfers In	48	26,121	-	-	26,169	186,490
Operating Transfers (Out)	(26,121)	-	(48)	-	(26,169)	(186,490)
Total Other Sources and Uses	(26,073)	26,121	449,952	-	450,000	330,505
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	2,084,333	(20,236)	(120,563)	175	1,943,709	(535,662)
Fund Balances, Beginning of Year	4,722,688	196,273	307,276	1,179	5,227,416	5,763,078
Fund Balances, End of Year	\$ 6,807,021	\$ 176,037	\$ 186,713	\$ 1,354	\$ 7,171,125	\$ 5,227,416

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 5

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2016 and 2015

	Private Purpose Trusts	Agency	<u>2016</u> Total	<u>2015</u> Total
ASSETS				
Cash	\$ 113,415	\$ 90,429	\$ 203,844	\$ 174,221
Due from General Fund	<u>-</u>	<u>47,908</u>	<u>47,908</u>	<u>52,601</u>
Total Assets	<u><u>\$ 113,415</u></u>	<u><u>\$ 138,337</u></u>	<u><u>\$ 251,752</u></u>	<u><u>\$ 226,822</u></u>
LIABILITIES				
Other Liabilities		\$ 48,567	\$ 48,567	\$ 47,908
Extraclassroom Activities	<u>-</u>	<u>89,770</u>	<u>89,770</u>	<u>83,878</u>
Total Liabilities	<u>-</u>	<u>138,337</u>	<u>138,337</u>	<u>131,786</u>
NET POSITION				
Reserved for Scholarships	<u>113,415</u>	<u>-</u>	<u>113,415</u>	<u>95,036</u>
Total Net Position	<u>113,415</u>	<u>-</u>	<u>113,415</u>	<u>95,036</u>
Total Liabilities and Net Position	<u><u>\$ 113,415</u></u>	<u><u>\$ 138,337</u></u>	<u><u>\$ 251,752</u></u>	<u><u>\$ 226,822</u></u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 6

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 Years Ended June 30, 2016 and 2015

	Private Purpose Trust	
	<u>2016</u>	<u>2015</u>
ADDITIONS		
Gifts and contributions	\$ 30,049	\$ 1,482
Investment Earnings	105	94
Total Additions	<u>30,154</u>	<u>1,576</u>
DEDUCTIONS		
Scholarships and awards	<u>11,775</u>	<u>5,175</u>
Total Deductions	<u>11,775</u>	<u>5,175</u>
Changes in Net Position	18,379	(3,599)
Net Position, Beginning of Year	<u>95,036</u>	<u>98,635</u>
Net Position, End of Year	<u>\$ 113,415</u>	<u>\$ 95,036</u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 7

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

	TOTAL GOVERNMENT FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASSIFICATION AND ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash	\$ 4,484,074	\$ -	\$ -	\$ 4,484,074
Cash Restricted	2,791,474	-	-	2,791,474
Due from Other Funds	462,312	-	(462,312)	-
Accounts Receivable	53,348	-	-	53,348
Inventories	11,935	-	-	11,935
Deposit, Electric Reserve	14,338	-	-	14,338
Due from State and Federal	1,519,902	519,215	-	2,039,117
Capital Assets, Net	-	30,292,802	-	30,292,802
Net pension asset-proportionate share	-	5,923,303	-	5,923,303
Total Assets	9,337,383	36,735,320	(462,312)	45,610,391
DEFERRED OUTFLOW OF RESOURCES				
Pensions	-	2,516,795	-	2,516,795
Total Deferred Outflows of Resources	\$ 9,337,383	\$ 39,252,115	\$ (462,312)	\$ 48,127,186
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 168,635	\$ 24,758	\$ -	\$ 193,393
Due to Other Governments	320	-	-	320
Due to Other Funds	510,220	-	(462,312)	47,908
Due to Teacher's Retirement System	1,193,538	-	-	1,193,538
Due to Employee's Retirement System	93,608	-	-	93,608
Bonds Payable	-	14,995,000	-	14,995,000
Compensated Absences	192,535	2,359,806	-	2,552,341
Unearned revenues	7,402	-	-	7,402
Other Post Employment Benefits	-	30,539,766	-	30,539,766
Net pension liability- Proportionate share	-	1,434,789	-	1,434,789
Total Liabilities	2,166,258	49,354,119	(462,312)	51,058,065
DEFERRED INFLOWS OF RESOURCES				
Pensions	-	2,252,349	-	2,252,349
Total Deferred inflows of Resources	-	2,252,349	-	2,252,349
FUND BALANCE/ NET POSITION				
Total Fund Balance/ Net Position	7,171,125	(12,354,353)	-	(5,183,228)
Total Liabilities, Fund Balance and Deferred Inflows of Resources	\$ 9,337,383	\$ 39,252,115	\$ (462,312)	\$ 48,127,186

See Notes to the Financial Statements

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXHIBIT 8

RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	TOTAL GOVERNMENT FUNDS	LONG-TERM REVENUE EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTION	RECLASSIFICATION AND ELIMINATIONS	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real Property Taxes	\$ 8,519,577	\$ -	\$ -	\$ -	\$ -	\$ 8,519,577
Other Tax Items/STAR Aid	1,907,168	-	-	-	-	1,907,168
Charges for Services	8,475	-	-	-	-	8,475
Other Districts and Governments	263,696	-	-	-	-	263,696
Use of Money and Property	10,167	-	-	-	-	10,167
Sale of Property and Compensation for Loss	8,907	-	-	-	-	8,907
Miscellaneous	351,366	-	-	-	-	351,366
State Sources	16,570,519	-	-	-	-	16,570,519
Federal Sources	1,206,886	-	-	-	-	1,206,886
Surplus Food	44,939	-	-	-	-	44,939
Sales	201,829	-	-	-	-	201,829
Total Revenues	29,093,529	-	-	-	-	29,093,529
EXPENDITURES						
General Support	2,372,035	-	(39,419)	-	-	2,332,616
Instruction	13,352,427	-	1,324,787	-	-	14,677,214
Pupil Transportation	1,216,540	-	353,165	-	-	1,569,705
Employee Benefits	7,207,579	2,329,873	-	-	-	9,537,452
Debt Service	2,296,845	-	-	(1,657,249)	-	639,596
Cost of Sales	583,879	-	(6,334)	-	-	577,545
Capital Outlay	570,515	-	(570,515)	-	-	-
Total Expenditures	27,599,820	2,329,873	1,061,684	(1,657,249)	-	29,334,128
Excess (Deficit) of Revenues over Expenditures	1,493,709	(2,329,873)	(1,061,684)	1,657,249	-	(240,599)
OTHER SOURCES AND USES						
Proceeds from Debt	450,000	-	-	(450,000)	-	-
Operating Transfers In	26,169	-	-	-	(26,169)	-
Operating Transfers Out	(26,169)	-	-	-	26,169	-
Total Other Sources and Uses	450,000	-	-	(450,000)	-	-
Net Change for the Year	\$ 1,943,709	\$ (2,329,873)	\$ (1,061,684)	\$ 1,207,249	\$ -	\$ (240,599)

See Notes to the Financial Statements

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies

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

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

B. Basis of presentation

1. District-Wide Statements

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

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

2. Fund Functional Statements

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

presented in a single column. The District elects to report all governmental funds as major funds.

The District reports the following major governmental funds:

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

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

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

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

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

Fiduciary Fund - the fiduciary funds consist of private purpose trust funds and agency funds that are used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds. Private purpose trust funds include scholarship funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Assets are held by the District as agent for various student groups or extra-classroom activity funds and for payroll or employee withholding. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

C. Measurement Focus and Basis of Accounting

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

value in exchange, include property taxes, grants and donations. On a modified accrual basis, revenue from property taxes is recognized by estimating how much will be collected during the ensuing fiscal year. Revenue from grants and donations is in the fiscal year in which all eligibility requirements have been satisfied.

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

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

- a. Prepays and inventory-type items are recognized at the time of purchase.
 - b. Principal and interest on indebtedness are not recognized as an expenditure until due.
 - c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
 - d. Pension costs are recognized as an expenditure when billed by the state.
 - e. The School District recognizes the cost of providing post retirement health insurance coverage and survivor benefits by recording its share of insurance premiums as an expenditure in the year paid.
- D. Cash and Cash Equivalents: For financial statement purposes, all highly liquid investments having maturities of three months or less are considered as cash equivalents.
- E. Inventories: Inventories of food and supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value, which approximates market. Purchases of supplies in other funds are recorded as expenditures at the time of purchase, and year-end inventory balances are not maintained.
- F. Capital Assets: Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to July 1, 2002, 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:

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	Straight Line	40 years
Building Improvements	\$ 1,000	Straight Line	40 years
Furniture, Equipment and Vehicles	\$ 1,000	Straight Line	5-10 years

Acquisitions of equipment and capital facilities are treated as expenditures in the various funds of the District, and are also reflected in the general fixed asset group of accounts.

- G. Deferred revenue: Deferred revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability of deferred revenues is removed and revenues are recognized.
- H. Post-Employment Benefits: In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. The cost of providing post-retirement benefits is paid by the District or is shared between the District and the retired employee, depending on length of service and/or classification of employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums for retirees and their dependents as an expenditure or operating transfer to other funds in the General Fund in the year paid.
- I. Property Taxes: Real property taxes are levied annually by the Board of Education no later than September 1st. Uncollected real property taxes are subsequently enforced by the County of Clinton. An amount representing uncollected real property taxes is transmitted to the county for enforcement and is paid by the county to the District no later than the forthcoming April 1st.
- J. Retirement plan: The School District provides retirement benefits for substantially all of its regular full-time employees through contributions to the New York State Teachers' Retirement System and the New York State Employees' Retirement System. These systems provide various plans and options, some of which require employee contributions.

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

K. Budgetary Procedures and Budgetary Accounting

a. General

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

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

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

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

Budget appropriations lapse at year-end.

b. Encumbrances

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

L. Equity Classifications:

District- wide statements:

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

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 those assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 1. Summary of Significant Accounting Policies (continued)

Unrestricted net position – reports the balance of 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.

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

Fund statements:

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

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$11,935.

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

Employee Benefits Accrued Liability

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

Insurance

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

Retirement Contributions

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

Tax Certiorari

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

Unemployment Insurance

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

Encumbrances

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

Committed – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2016.

Assigned – Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$0.

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

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

Tax Reduction Reserve

Tax Reduction Reserve is used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

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

Order of Use of Fund Balance:

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

- M. Reclassifications: Certain amounts in the 2015 financial statements may have been reclassified to conform to the 2016 presentation.
- N. Events Occurring After Reporting Date: The District has evaluated events and transactions that occurred between June 30, 2016 and September 28, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.
- O. Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Pension Obligations

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

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Note 1. Summary of Significant Accounting Policies (continued)

Employees' Retirement System (ERS)

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Contributions

	ERS	TRS
2016	\$ 413,035	\$ 1,551,568
2015	\$ 437,687	\$ 1,384,835
2014	\$ 473,123	\$ 1,082,284

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

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

At June 30, 2016 the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	3/31/2016	6/30/2015
Net Pension asset/(liability)	\$ (1,434,789)	\$ 5,923,303
District's portion of the Plan's total net pension asset/(liability)	0.0089393%	0.057027%

For the year ended June 30, 2016, the District's recognized pension expense of \$517,005 for ERS and the Actuarial value (\$394,864) for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 7,250	\$ -	\$ 170,070	\$ 164,160
Changes of assumptions	382,615	-	-	-
Net difference between projected and actual earnings on pension plan investments	851,196	-	-	1,872,387
Changes in proportion and differences between the Districts' contributions and proportionate share of contributions	19,509	17,044	1,517	44,215
District's contributions subsequent to the measurement date	93,608	1,145,573	-	-
Total	<u>\$ 1,354,178</u>	<u>\$ 1,162,617</u>	<u>\$ 171,587</u>	<u>\$ 2,080,762</u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2016	\$ -	\$ (758,338)
2017	276,061	(758,338)
2018	276,061	(758,338)
2019	276,061	308,256
2020	260,800	(23,593)
Thereafter	-	(73,367)
Total	<u>\$ 1,088,983</u>	<u>\$ (2,063,718)</u>

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	<u>ERS</u> 3/31/2016	<u>TRS</u> 6/30/2015
Actuarial valuation date	4/1/2015	6/30/2014
Interest rate	7.0%	8.0%
Salary scale	3.8%	4.01%-10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2005- June 30, 2010 System Experience
Inflation rate	2.5%	3.0%

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Measurement Date	<u>ERS</u>	<u>TRS</u>
	3/31/2016	6/30/2015
Asset Type:	%	%
Domestic equity	7.30	6.5
International equity	8.55	7.7
Private equity	11.00	-
Real estate	8.25	4.6
Absolute return strategies	6.75	-
Alternative investments	-	9.9
Domestic fixed income securities	-	2.1
Global fixed income securities	-	1.9
Mortgages and bonds	4.00	3.4
Opportunistic portfolio	8.60	-
Real assets	8.65	-
Cash	2.25	-
Inflation-indexed bonds	4.00	-
Short-term	-	1.2

Discount Rate

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 8% for TRS, as well as what the Districts' proportionate share of the net pension asset/ (liability) would be if it were calculated using a discount rate that is 1% (6% for ERS and 7% for TRS) or 1% higher (8% for ERS and 9% for TRS) than the current rate:

ERS	1% Decrease 6%	Current Assumption 7%	1% Increase 8%
Employer's proportionate share of the net pension asset (liability)	\$ (3,235,345)	\$ (1,434,789)	\$ 86,604
TRS	1% Decrease 7%	Current Assumption 8%	1% Increase 9%
Employer's proportionate share of the net pension asset (liability)	\$ (404,046)	\$ 5,923,303	\$ 11,319,203

Pension Plan Fiduciary Net Position

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

	ERS	TRS	Total
Valuation date	3/31/2016	6/30/2015	
Employers' total pension asset/(liability)	\$ (172,303,544)	\$ (99,332,103,743)	\$ (99,504,407,287)
Plan Net Position	156,253,265	109,718,916,659	109,875,169,924
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$10,386,812,916</u>	<u>\$10,370,762,637</u>
Ratio of plan net position to the			
Employers' total pension asset/ (liability)	-90.70%	-110.46%	-110.42%

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued)

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$93,608.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contribution for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,193,538.

Q. New Accounting Standards:

The District has adopted and implemented all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2016:

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

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

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

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

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Original cost of capital assets	\$ 51,075,022
Accumulated depreciation	<u>20,782,220</u>
Capital assets, net	<u>\$ 30,292,802</u>

Long-term assets are reported in the Statements of Net Position, but not in the governmental funds, because they are not available in the current period. Balances at year-end were:

Long-term building aid receivable	<u>\$ 519,215</u>
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Long-term liabilities are reported in the Statements of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds payable and other long-term debt	\$ 14,995,000
Other post employment benefits	30,539,766
Compensated absences	<u>2,359,806</u>
	<u>\$ 47,894,572</u>

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

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

3. Long-Term Debt Transaction Differences

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

4. Other Post-Employment Benefits

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

5. Pension Differences

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

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

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

Total Revenues and other Funding Sources

Revenues:

Total revenues and other funding sources of governmental funds (Exhibit 4)	\$ 29,093,529
No current year changes	-
Total Revenues Statement of Activities (Exhibit 2)	\$ 29,093,529

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Expenditures:

Total expenditures reported in governmental funds (Exhibit 4) \$ 27,599,820

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences used were more than the amount earned during the year. (Exhibit 8) (124,839)

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital expenditures in the current year. (Exhibit 8) 1,061,684

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets, and does not effect the Statement of Activities, (Exhibit 8) (1,655,505)

The payment of Other Post-Employment Benefits (OPEB) is recorded in the governmental funds as expenditures when incurred. However, in the Statement of Activities, the current cost plus the actuarial cost of future benefits are combined and recognized as an expense. This is the amount by which the Annual OPEB Cost exceeded the premiums paid. 3,881,577

Interest on long-term debt in the Statement of Activities differs from the amount reported in the government funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest expense was less than the prior year accrual. (1,744)

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for, or require, the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds.

Teachers' Retirement System	(1,540,485)
Employees' Retirement System	113,620

Total expenses of governmental activities in the Statement of Activities (Exhibit 2)	<u>\$ 29,334,128</u>
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Other Sources and Uses:

Total other sources and uses in governmental funds (Exhibit 4)	450,000
Proceeds from long term debt are other sources of income in the Capital Projects Fund, but are removed from the Statement of Activities and shown as a long term liability on the Statement of Net Position	(450,000)
Total other sources and uses in the Statement of Activities (Exhibit 2)	<u>\$ -</u>

Note 3. Cash and Investments

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

Collateral is required for demand and time deposits and certificates of deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and Districts.

At June 30, 2016, the District's bank balances totaled \$6,062,508, of which, \$250,000 was covered by Federal depository insurance and \$5,812,508 was covered by collateral held by the pledging banks in the District's name.

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 at June 30, 2016 was \$2,791,474.

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 4. Interfund Balances and Activity

Interfund balances and activity at June 30, 2016 and for the fiscal year then ended, were as follows:

Fund Type	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General	\$ 460,958	\$ 47,909	\$ 48	\$ 26,121
Capital	-	8,031	-	48
Debt Service	1,354	-	-	-
Special Revenue:				
Special Aid	-	454,280	26,121	-
Fiduciary Funds	47,908	-	-	-
Total	\$ 510,220	\$ 510,220	\$ 26,169	\$ 26,169

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

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

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

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5. Capital Assets

The following is a summary of changes in capital assets:

Capital Assets	June 30, 2015		June 30, 2016	
	Ending Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities				
Capital Assets that are not Depreciated:				
Land	\$ 84,013	\$ -	\$ -	\$ 84,013
Construction in process	10,099	120,563	-	130,662
Total Nondepreciable Historical Cost	<u>94,112</u>	<u>120,563</u>	<u>-</u>	<u>214,675</u>
Capital Assets that are Depreciated:				
Buildings	44,986,630	-	-	44,986,630
Machinery and Equipment	5,457,144	549,459	132,886	5,873,717
Total Depreciable Historical Cost	<u>50,443,774</u>	<u>549,459</u>	<u>132,886</u>	<u>50,860,347</u>
Less Accumulated Depreciation:				
Buildings	15,604,960	1,321,099	-	16,926,059
Machinery and Equipment	3,578,440	410,607	132,886	3,856,161
Total Accumulated Depreciation	<u>19,183,400</u>	<u>1,731,706</u>	<u>132,886</u>	<u>20,782,220</u>
Total Depreciable Historical Cost, Net	31,260,374	(1,182,247)	-	30,078,127
Total Net Assets	<u>\$ 31,354,486</u>	<u>\$ (1,061,684)</u>	<u>\$ -</u>	<u>\$ 30,292,802</u>

Depreciation was charged to governmental functions as follows:

	6/30/2016
General Support	\$ 13,883
Instruction	1,364,658
Pupil Transportation	353,165
	<u>\$ 1,731,706</u>

Note 6. Compensated Absences

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

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6. Compensated Absences (continued)

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

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

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

Note 7. Indebtedness

Short-term Debt: For Governmental Funds, Notes issued in anticipation of the receipt of revenues is recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. At June 30, 2016 there was no short-term debt.

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

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Serial Bonds	\$ 15,465,000	\$ -	\$ 1,420,000	\$ 14,045,000
Statutory Installment Bonds	735,505	450,000	235,505	950,000
Compensated Absences	2,484,645	-	124,839	2,359,806
Other Post Employment Benefits	26,658,189	3,881,577	-	30,539,766
Total	<u>\$ 45,343,339</u>	<u>\$ 4,331,577</u>	<u>\$ 1,780,344</u>	<u>\$ 47,894,572</u>

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

Description of Issue	Issue Date	Maturity	Rate	at 6/30/16
Serial Bonds	2009	2024	Var. Rates	\$ 14,045,000
Statutory Installment Bond	2016	2021	Var. Rates	450,000
Statutory Installment Bond	2013	2018	Var. Rates	80,000
Statutory Installment Bond	2014	2019	Var. Rates	150,000
Statutory Installment Bond	2015	2020	Var. Rates	270,000
Total				<u>\$ 14,995,000</u>

Interest expense incurred on serial bonds, bond anticipation notes, and other debt was \$639,596 for the year ended June 30, 2016.

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7. Indebtedness (continued)

The following is a summary of maturing debt service requirements:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,735,000	\$ 587,880	\$ 2,322,880
2018	1,805,000	524,695	2,329,695
2019	1,850,000	458,135	2,308,135
2020	1,875,000	388,708	2,263,708
2021	1,885,000	317,000	2,202,000
2022-2026	5,845,000	498,950	6,343,950
	<u>\$ 14,995,000</u>	<u>\$ 2,775,368</u>	<u>\$ 17,770,368</u>

Note 8. Post-Employment Benefits

The District provides post employment (health insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. Post-employment benefits aggregating \$2,179,565 for 188 employees were charged to expenses/ expenditures in the Governmental Funds in the current year.

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

The District has obtained an interim actuarial valuation report for the year ended June 30, 2016, which indicates that the total liability for other post-employment benefits is \$30,539,766 which is reflected in the Statement of Net Position.

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 8. Post-Employment Benefits (continued)

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Annual required contribution	\$ 6,487,095	\$ 6,112,817	\$ 7,041,756
Interest on net OPEB obligation	1,066,328	919,161	744,252
Adjustment to annual required contribution	<u>(1,725,325)</u>	<u>(1,449,155)</u>	<u>(1,145,218)</u>
Annual OPEB cost (expense)	5,828,098	5,582,823	6,640,790
Contributions made	<u>(1,946,521)</u>	<u>(1,903,661)</u>	<u>(2,268,071)</u>
Increase in net OPEB obligation	3,881,577	3,679,162	4,372,719
Net OPEB obligation - beginning of year	<u>26,658,189</u>	<u>22,979,027</u>	<u>18,606,308</u>
Net OPEB obligation - end of year	<u><u>\$ 30,539,766</u></u>	<u><u>\$ 26,658,189</u></u>	<u><u>\$ 22,979,027</u></u>
Annual OPEB Cost	\$ 5,828,098	\$ 5,582,823	\$ 6,640,790
Percentage of Annual OPEB Cost Contributed	33.4%	34.1%	34.2%
Net OPEB Obligation at end of year	\$ 30,539,766	\$ 26,658,189	\$ 22,979,027

Funding Status and Funding Progress: As of June 30, 2016, the actuarial accrued liability for benefits was \$61,240,346 all of which was unfunded. The covered payroll for all active employees was \$10,850,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 564%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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

The following simplifying assumptions were made:

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

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 8. Post-Employment Benefits (continued)

Mortality – Life expectancies were based on The RPH-2014 Headcount Weighted Mortality Table for males and females.

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

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was initially set at 6.4%.

Discount rate – A 4% discount was used.

The unfunded actuarial accrued liability is being amortized over a level period of 30 years. The remaining amortization period at June 30, 2016 was 22 years.

Note 9. Commitments and Contingencies

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

The District incurs costs related to an employee health insurance plan (Plan) sponsored by Clinton-Essex-Warren-Washington 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. 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 risk 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.

The District is a defendant in certain lawsuits arising out of the ordinary course of business. While the outcome of lawsuits and other proceedings against the District cannot be predicted with certainty, the District does not expect that these matters will have a material adverse effect on its financial position.

The District has received Federal and State Aid/Grants which are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9. Commitments and Contingencies (Continued)

and a request for a return of funds to the Federal and State governments. The District believes disallowances, not previously provided for, if any, will be immaterial.

From time to time the Northeastern Clinton Central School District is involved in tax certiorari proceedings from residents petitioning to have their assessed taxable values lowered. The District is not aware any petitions for tax certiorari proceedings. A reserve for tax certiorari is \$30,306.

Operating Leases - The District Leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2016 were approximately \$26,223. Estimated future rents to be paid are as follows:

<u>Year Ending Date</u>	<u>Amount</u>
2017	\$ 26,223
2018	26,223
	<u>\$ 52,446</u>

Note 10. Joint Venture

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

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

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

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

During the year ended June 30, 2016 the Northeastern Clinton Central School District was billed \$3,180,202 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2016, the

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10. Joint Venture (continued)

Northeastern Clinton Central School District issued no serial bonds on behalf of BOCES. General-purpose financial statements for the Clinton-Essex-Warren-Washington BOCES are available from BOCES administrative office at P.O. Box 485, Plattsburgh, New York. The District's share of BOCES aid amounted to \$1,129,829. BOCES also refunded the District \$133,892 for excess expenses billed in prior years.

Note 11. Stewardship, Compliance and Accountability

The District's unassigned general fund balance was in excess of the New York State Real Property Tax Law Section 1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The unassigned fund balance at June 30, 2016 was \$3,778,718 which represents 13.22% of next year's budget. The excess amounted to \$2,635,663.

Note 12. Prior Period Information

Comparative prior period information has been presented in summary form. This information was derived from the District's June 30, 2015 financial statements, and in our report dated September 28, 2015, we expressed an unmodified opinion.

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**Combining Balance Sheets - Special Revenue Funds
June 30, 2016 and 2015**

	<u>Special Aid</u>	<u>School Lunch</u>	<u>2016 Total</u>	<u>2015 Total</u>
ASSETS				
Cash	\$ -	\$ 142,976	\$ 142,976	\$ 165,388
State and Federal Aid Receivable	454,280	28,848	483,128	362,134
Inventories	-	11,935	11,935	6,520
Total Assets	<u>\$ 454,280</u>	<u>\$ 183,759</u>	<u>\$ 638,039</u>	<u>\$ 534,042</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to Other Funds	\$ 454,280	\$ -	\$ 454,280	\$ 330,148
Due to Other Governments	-	320	320	308
Unearned Revenue	-	7,402	7,402	7,313
Total Liabilities	<u>454,280</u>	<u>7,722</u>	<u>462,002</u>	<u>337,769</u>
Fund Balance:				
Nonspendable				
Inventories	-	11,935	11,935	6,520
Assigned				
School Lunch	-	164,102	164,102	189,753
Total Fund Balance	<u>-</u>	<u>176,037</u>	<u>176,037</u>	<u>196,273</u>
Total Liabilities and Fund Balance	<u>\$ 454,280</u>	<u>\$ 183,759</u>	<u>\$ 638,039</u>	<u>\$ 534,042</u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

SPECIAL REVENUE FUNDS - COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Years Ended June 30, 2016 and 2015

	Special Aid	School Lunch	2016 Total	2015 Total
REVENUES				
Surplus Foods	\$ -	\$ 44,939	\$ 44,939	\$ 34,821
State Sources	252,338	13,723	266,061	275,068
Federal Sources	741,317	349,656	1,090,973	1,073,352
Sales	-	201,829	201,829	210,425
Total Revenues	<u>993,655</u>	<u>610,147</u>	<u>1,603,802</u>	<u>1,593,666</u>
EXPENDITURES				
General	7,187	46,504	53,691	19,135
Pupil transportation	13,204	-	13,204	31,310
Instruction	819,276	-	819,276	934,534
Employee Benefits	180,109	-	180,109	34,030
Cost of Sales	-	583,879	583,879	666,581
Total Expenditures	<u>1,019,776</u>	<u>630,383</u>	<u>1,650,159</u>	<u>1,685,590</u>
Excess (Deficit) of Revenues over Expenditures	(26,121)	(20,236)	(46,357)	(91,924)
OTHER SOURCES				
Operating Transfers	26,121	-	26,121	34,489
Excess (Deficit) of Revenues and Other Sources over Expenditures	-	(20,236)	(20,236)	(57,435)
Fund Balance, Beginning	-	196,273	196,273	253,708
Fund Balance, Ending	<u>\$ -</u>	<u>\$ 176,037</u>	<u>\$ 176,037</u>	<u>\$ 196,273</u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT
Year Ended June 30, 2016**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 27,449,197
Add: Prior year's encumbrances	<u>23,847</u>
Final budget	<u><u>\$ 27,473,044</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-2017 expenditure budget	\$ 28,576,383
Maximum allowed (4% of 2016-17 budget)	

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

Unrestricted fund balance:		
Committed fund balance	\$ -	
Assigned fund balance	500,000	
Unassigned fund balance	<u>3,825,874</u>	
Total unrestricted fund balance	<u>4,325,874</u>	
Less:		
Appropriated fund balance	500,000	
Insurance recovery reserve	-	
Tax reduction reserve	47,156	
Encumbrances included in committed and assigned fund balance	<u>-</u>	
Total adjustments	<u>547,156</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		<u><u>\$ 3,778,718</u></u>
Actual percentage		<u><u>13.22%</u></u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2016**

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
Revenues:				
Local Sources:				
Real Property Taxes	\$ 8,565,597	\$ 8,565,597	\$ 8,519,577	\$ (46,020)
Other Tax Items/STAR Aid	1,936,700	1,936,700	1,907,168	(29,532)
Charges for Services	5,250	5,250	8,475	3,225
Other Districts and Governments	291,000	291,000	263,696	(27,304)
Use of Money and Property	3,000	3,000	9,992	6,992
Sale of Property and Compensation for Loss	2,000	2,000	8,907	6,907
Miscellaneous	168,150	168,150	351,366	183,216
State Sources	15,877,500	15,877,500	16,304,458	426,958
Federal Sources	100,000	100,000	115,913	15,913
Total Revenues	26,949,197	26,949,197	27,489,552	540,355
Other Financing Sources				
Interfund Transfers	-	-	48	48
Appropriated reserves	-	23,847		
	-	23,847	48	48
Total Revenues and Appropriated Fund Balance	\$ 26,949,197	\$ 26,973,044	\$ 27,489,600	\$ 540,403

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
Expenditures:					
General Support:					
Board of Education	\$ 15,432	\$ 15,445	12,575	\$ -	\$ 2,870
Central Administration	180,263	179,240	282,986	-	(103,746)
Finance	274,354	279,196	281,909	-	(2,713)
Staff	76,975	76,909	82,856	-	(5,947)
Central Services	1,342,594	1,349,392	1,176,576	-	172,816
Special Items	485,557	485,557	481,442	-	4,115
Instructional:					
Administration and Improvement	617,208	599,949	523,408	-	76,541
Teaching - Regular School	5,845,521	5,843,407	5,909,532	-	(66,125)
Programs for Children with Handicapping Conditions	4,873,283	4,833,283	3,909,501	-	923,782
Occupational Education	846,488	846,488	863,473	-	(16,985)
Teaching - Special Schools	20,000	20,000	12,921	-	7,079
Instructional Media	707,350	726,183	623,183	-	103,000
Pupil Service	718,824	718,824	691,133	-	27,691
Pupil Transportation	1,280,009	1,333,832	1,203,336	-	130,496
Employee Benefits	7,864,732	7,864,732	7,027,470	-	837,262
Debt Service	2,300,607	2,300,607	2,296,845	-	3,762
Total Expenditures	27,449,197	27,473,044	25,379,146	-	2,093,898
Other Uses:					
Interfund Transfer	-	-	26,121	-	(26,121)
Total Expenditures and Other Uses	27,449,197	27,473,044	25,405,267	\$ -	\$ 2,067,777
Net Change in Fund Balance	(500,000)	(500,000)	2,084,333		
Fund Balance - Beginning	4,722,688	4,722,688	4,722,688		
Fund Balance - Ending	\$ 4,222,688	\$ 4,222,688	\$ 6,807,021		

See Independent Auditor's Report

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND

Year Ended June 30, 2016

Project Title	Expenditures					Methods of Financing					Fund Balance June 30, 2016		
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total			
District-Wide Renovation	\$ 22,500,000	\$ 22,500,000	\$ 21,887,361	\$ 120,563	\$ 22,007,924	\$ 492,076	\$ 21,193,006	\$ 523,631	\$ 478,000	\$ 22,194,637	\$ 186,713		
Buses	450,000	450,000	-	449,952	449,952	48	450,000	-	-	450,000	48		
Totals	<u>\$ 22,950,000</u>	<u>\$ 22,950,000</u>	<u>\$ 21,887,361</u>	<u>\$ 570,515</u>	<u>\$ 22,457,876</u>	<u>\$ 492,124</u>	<u>\$ 21,643,006</u>	<u>\$ 523,631</u>	<u>\$ 478,000</u>	<u>\$ 22,644,637</u>	186,761		
												Transfer excess to General Fund	(48)
												Fund Balance at June 30, 2016	<u>\$ 186,713</u>

See Independent Auditor's Report

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS
Year Ended June 30, 2016

Capital Assets, Net	\$	30,292,802
Deduct:		
Short-term portion of bonds payable		1,735,000
Long-term portion of bonds payable		13,260,000
Less: unspent bond proceeds		(186,713)
Net investment in capital assets	<u>\$</u>	<u>15,484,515</u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS PLAN
Year Ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
6/30/2016	\$ -	\$ 61,240,346	\$ 61,240,346	0%	\$ 10,850,000	564.4%
6/30/2015	\$ -	\$ 58,528,756	\$ 58,528,756	0%	\$ 10,988,997	532.6%
6/30/2014	\$ -	\$ 69,930,689	\$ 69,930,689	0%	\$ 10,437,397	670.0%
6/30/2013	\$ -	\$ 66,957,868	\$ 66,957,868	0%	\$ 11,811,777	566.9%
6/30/2012	\$ -	\$ 58,353,289	\$ 58,353,289	0%	\$ 12,134,203	480.9%
6/30/2011	\$ -	\$ 55,641,744	\$ 55,641,744	0%	\$ 11,934,430	466.2%
6/30/2010	\$ -	\$ 53,957,112	\$ 53,957,112	0%	\$ 11,842,338	455.6%
6/30/2009	\$ -	\$ 51,451,987	\$ 51,451,987	0%	\$ 12,120,531	424.5%

NORTHEASTERN CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30, 2016

NYSERS Pension Plan
Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0089393%	0.0089727%								
District's proportionate share of the net pension liability (asset)	\$ 1,434,789	\$ 303,120								
District's covered- employee payroll	\$ 3,228,509	\$ 2,712,004								
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.44%	11.18%								
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%								

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

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

See Independent Auditor's Report

NORTHEASTERN CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Year Ended June 30, 2016

NYSERS Pension Plan
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 413,035	\$ 437,687	\$ 473,123	\$ 486,792	\$ 354,644	\$ 275,012	\$ 190,803	\$ 218,118	\$ 193,446	\$ 259,069
Contributions in relation to the contractually required contribution	\$ 413,035	\$ 437,687	\$ 473,123	\$ 486,792	\$ 354,644	\$ 275,012	\$ 190,803	\$ 218,118	\$ 193,446	\$ 259,069
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Districts covered-employee payroll	\$ 3,228,509	\$ 2,712,004								
Contributions as a percentage of covered employee payroll	12.8%	16.1%								

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

NORTHEASTERN CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30, 2016

NYSTRS Pension Plan
Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.057027%	0.055612%	0.058882%							
District's proportionate share of the net pension liability (asset)	\$ (5,923,303)	\$ (6,194,777)	\$ (387,593)							
District's covered- employee payroll	\$ 8,457,912	\$ 8,378,993								
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-70.03%	-73.93%								
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%								

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

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

See Independent Auditor's Report

NORTHEASTERN CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Year Ended June 30, 2016

NYSTRS Pension Plan
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,501,664	\$ 1,334,887	\$ 1,021,194	\$ 997,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ 1,501,664	\$ 1,334,887	\$ 1,021,194	\$ 997,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Districts covered-employee payroll	\$ 8,457,912	\$ 8,378,993								
Contributions as a percentage of covered employee payroll	17.75%	15.93%								

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

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Pass-Through New York State Department of Education:			
Special Education Cluster:			
IDEA Section 611	84.027A	0032-16-0134	\$ 379,711
IDEA Section 619	84.173A	0033-16-0134	25,032
Total Special Education Cluster			<u>404,743</u>
Title I A & D Improvement	84.010A	0021-16-0485	257,946
Title II	84.367A	0147-16-0485	78,628
Total Department of Education			<u><u>741,317</u></u>
U.S. Department of Agriculture			
Pass-through New York State Department of Education			
National School Lunch Program - Cash	10.555	N/A	262,288
National School Lunch Program - Commodities	10.555	N/A	44,940
School Breakfast Program	10.553	N/A	87,428
Total Child Nutrition Cluster			<u>394,656</u>
Total Department of Agriculture			<u><u>394,656</u></u>
Total Federal Assistance Expended			<u><u>\$ 1,135,973</u></u>

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2016

Note 1. Basis of Presentation

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon an established rate by New York State. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniforms Guidance applied to overall expenditures.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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

To the Board of Education
Northeastern Clinton Central School District
Champlain, New York 12919

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Northeastern Clinton Central School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northeastern Clinton Central School District's basic financial statements and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that

might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiencies. The findings are referenced as 16-1 and 16-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeastern Clinton Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 16-1 and 16-2.

District's Response to Findings

Northeastern Clinton Central School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northeastern Clinton Central School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Boulrice & Wood CPAs, PC

Boulrice & Wood CPA's, PC
September 28, 2016

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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

To the Board of Education
Northeastern Clinton Central School District
Champlain, New York 12919

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Boulrice & Wood CPAs, PC

Boulrice & Wood CPA's, PC
September 28, 2016

**NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ 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 a material weakness? _____ yes X none reported

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	IDEA - Part B, Sec 611
84.173A	IDEA - Part B, Sec 619

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk Auditee? X yes _____ no

**NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENTS

16-1 Excess Fund Balance

Condition: The District's unassigned general fund balance was 13.22% of next year's budget.

Effect: The District's unassigned general fund balance was 9.22% or \$2,635,663 over the amount allowable by law.

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

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

Corrective Action: The increase in Fund Balance from June 30th, 2015 to June 30th, 2016 is attributed to having to operate on a Contingent Budget for the 2015/2016 school year after two failed budget votes. The Contingent Budget restraints limit certain expenditures and the district followed a very strict spending plan limiting purchases to only those deemed essential to District operations. This type of spending plan resulted in a larger than normal carryover amount that was then rolled into Fund Balance on June 30th, 2016. The District plans to use these funds to compensate for the projected lower than average State Aid increase that the Governor will be proposing for the 2017/18 school year. The district also intends to put up for voter approval a Capital Reserve Fund to replace a failing roof and funding that reserve from the excess Fund Balance.

16-2 Budgetary Transfers

Condition: Within the General Fund, appropriation expense exceeds budgeted amounts on several line items.

Effect: Expenditures exceeded amounts budgeted.

Cause: Budget Status Reports were monitored; however final budget adjustments or transfers were not made as part of the closing process before year-end 2016. This appears to be an isolated instance.

Criteria: Budgetary transfers exceeding \$50,000 must be approved the Board, and the resolution must stipulate the appropriation accounts to be affected.

Recommendation: We recommend the Board of Northeastern Clinton Central School continue to monitor the Budget Status Reports for all funds and approve all budget adjustments or transfers throughout the year and the Business Manager perform a closing budget entry before year-end.

Corrective Action: The Board of Northeastern Clinton Central School District will continue to monitor and approve all budget adjustments or transfers throughout the year and the Business Manager will be sure the practice of compiling closing budget adjustments/transfers will be done in a timely manner.

SECTION III – MAJOR FEDERAL AWARDS

None

**NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016**

There were no prior year audit findings.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board
Northeastern Clinton Central School District
Champlain, New York 12919

We have audited the accompanying statement of assets, liabilities and fund balance – cash basis and the related statement of receipts, disbursements and ending balances – cash basis of the Extraclassroom Activity Funds of the Northeastern Clinton Central School District as of and for the year June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance – cash basis of the Extraclassroom Activity Funds of the Northeastern Clinton Central School District as of June 30, 2016, and its receipts, disbursements and ending balances – cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Boulrice & Wood CPAs, PC

Boulrice & Wood CPA's, PC
September 28, 2016

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 89,770</u>	<u>\$ 83,878</u>
Total Assets	<u><u>\$ 89,770</u></u>	<u><u>\$ 83,878</u></u>
 FUND BALANCE		
Extraclassroom Activity	<u>\$ 89,770</u>	<u>\$ 83,878</u>
Total Fund Balance	<u><u>\$ 89,770</u></u>	<u><u>\$ 83,878</u></u>

See Notes to the Financial Statements – Extraclassroom Activity Funds.

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

**EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND ENDING BALANCES -
CASH BASIS
Year Ended June 30, 2016**

Activity	Balance 6/30/2015	Receipts	Disbursements	Balance 6/30/2016
Class of 2016	\$ 4,566	\$ 4,148	\$ 8,714	\$ -
Class of 2017	4,943	10,257	11,894	3,306
Class of 2018	4,432	3,490	3,566	4,356
Class of 2019	2,772	8,884	6,263	5,393
Class of 2020	1,385	5,312	4,852	1,845
Class of 2021	826	4,511	3,516	1,821
Class of 2022	-	4,068	3,297	771
Band	2,556	70	70	2,556
Cheerleaders	1,087	3,003	3,884	206
Co-Ed Varsity	2,791	400	-	3,191
Co-Ed Varsity Baseball	2,022	3,811	4,194	1,639
Co-Ed Boys Basketball	508	-	-	508
CFES	2,927	-	1,167	1,760
Drama Club	3,098	2,156	718	4,536
Foosball Club	-	3,019	2,480	539
French Club	148	4,799	4,264	683
French Club - M.S.	113	-	-	113
Key Club	38	854	679	213
National Honor Society	11	4,187	3,945	253
Student Council	831	2,127	2,158	800
Student Council- Sub	3,231	1,470	2,968	1,733
Model UN	2,605	17,448	14,867	5,186
Outdoors Education	6,596	4,711	2,288	9,019
Boy's Soccer Club	10,164	3,754	5,767	8,151
Girl's Soccer Club	6	2,975	-	2,981
Hockey Club	48	-	-	48
Yearbook Club	790	16,975	14,969	2,796
Builder's Club	313	2,101	1,750	664
Builder's Club-Sub	1,368	2,148	1,930	1,586
NCCS Outdoor Club	277	-	-	277
Chorus	4,001	2,386	2,208	4,179
Science Olympiad	2,301	2,001	3,127	1,175
Science Olympiad- Sub	623	648	1,088	183
Shelf Sitters	-	2,651	2,629	22
Marketing Club	7,110	30,353	28,567	8,896
Marketing Club- Sub	6,597	422	802	6,217
yearbook Club- Sub Art	674	-	-	674
Golf Club	7	4,065	4,038	34
Girl's Varsity	900	1,775	2,675	-
Sales Tax	1,213	4,991	4,744	1,460
Total	\$ 83,878	\$ 165,970	\$ 160,078	\$ 89,770

See Notes to the Financial Statements – Extraclassroom Activity Funds.

NORTHEASTERN CLINTON CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of Accounting: The books and records of the Northeastern Clinton Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

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

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