

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULES**

**JUNE 30, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the President and the Other Members  
of the Board of Education of the  
Greater Johnstown School District  
Johnstown, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Greater Johnstown School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Greater Johnstown School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress other post-employment benefits and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 12 and pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information on pages 53 through 55, as described in the table of contents 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*WEST & COMPANY CPA PC*

Gloversville, New York  
October 11, 2018

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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*The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.*

**FINANCIAL HIGHLIGHTS**

The District's 2017-2018 actual revenue was more than its budgeted revenue (exclusive of transfer revenue) by \$329,949. The District received more BOCES aid (\$240,273) and more tuition (\$117,261) than it budgeted, which offset revenue deficits in other categories and contributed to the excess in revenue.

Because of multiple tax grievances, the District has had to draw on its tax certiorari reserve in the amount of \$14,730 to satisfy court-ordered tax reductions, leaving a remaining balance of \$48,633. The expenditures from this reserve was approved by the Board of Education at regularly-scheduled meetings throughout the year.

Management has made the decision to utilize reserves in a planned, methodical manner in an attempt to stabilize taxes in future years.

The legislative limit for the tax levy increase for the 2018-2019 year was a negative value due to variations in the capital exclusion related to the timing of building aid revenue and financing expenditures for the current capital project. For that reason, the tax levy increase needed to support the 2018-2019 budget exceeded the legislative limit and was approved by a super majority of District voters.

The District's 2017-2018 actual appropriations, including year-end encumbrances, were less than its final appropriation by \$2,595,812. Constant careful scrutiny of expenses and constant re-evaluation of needs throughout the year allowed the District to control spending District-wide. Mid-year personnel changes (retirements) garnered savings for the District. In addition, cost saving measures were continued in an effort to stabilize expenses. Purchase of electricity, natural gas and fuel oil through commodity contract resulted in substantial savings in anticipated utility costs. Careful consideration of individual students' needs by the Office of Pupil Services also resulted in additional savings on costs in that department.

The District continues to share transportation services with the Gloversville Enlarged School District, through an HFM BOCES Transportation CoSer, with a goal of reducing costs for both Districts. The operation of this new facility has generated savings in legacy costs and streamlined services to the benefit of both students and taxpayers alike. It is anticipated that this venture will garner savings for both Districts as long-term costs continue to be reduced. As this cooperative venture moves forward, it is anticipated that other school districts will join, which will increase savings for all participants.

Moving the food service program in the direction of becoming self-supporting is a high priority goal for the District. To this end, operation of this program was returned to the District in 2016-2017, with a goal of increasing revenue. Cost-saving measures have also been implemented, including reduction in personnel, in an attempt to return the program to profitability. Management will continue to monitor and assess the program in subsequent years, with the ultimate goal of making the program self-supporting.

In May, 2018, the 2018-2019 proposed budget of \$35,705,076 failed by a vote of 461 in favor to 439 against, a margin of 51%. As this proposal exceeded the District's tax cap (which was negative this year), a supermajority was required to pass the budget. Although the original budget passed it was not a supermajority of 60%, so it was defeated. A budget re-vote was held on June 19, 2018 and the proposed budget of \$35,653,431 was approved by a vote of 924 in favor to 399 against, a margin of 70%.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## District-Wide Statements

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

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

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

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

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

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

## Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures and changes in fund balance.
- **Fiduciary Fund:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Table A-2**

### Condensed Statement of Net Position (in thousands)

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>	<b>% Change (Increase, - Decrease)</b>
<b>Assets</b>			
Current and other assets	\$ 25,952	\$ 12,742	104
Capital assets - net	44,670	23,461	90
<b>Total Assets</b>	<b>70,622</b>	<b>36,203</b>	<b>95</b>
<b>Deferred Outflows of Resources</b>			
Pensions	7,518	7,593	-1
<b>Total Deferred Outflows of Resources</b>	<b>7,518</b>	<b>7,593</b>	<b>-1</b>
<b>Liabilities</b>			
Current liabilities	45,867	10,903	321
Long-term liabilities	59,869	26,227	128
<b>Total Liabilities</b>	<b>105,736</b>	<b>37,130</b>	<b>185</b>
<b>Deferred Inflows of Resources</b>			
Other post-employment benefits	2,357	0	100
Pensions	2,388	552	333
<b>Total Deferred Inflows of Resources</b>	<b>4,745</b>	<b>552</b>	<b>760</b>
<b>Net Position</b>			
Net investment in capital assets	26,134	7,421	252
Restricted	4,871	5,042	-3
Unrestricted	(63,345)	(6,348)	-898
<b>Total Net Position</b>	<b>\$ (32,340)</b>	<b>\$ 6,115</b>	<b>-629</b>



## Changes in Net Position

The School District's 2018 revenue was \$33,023,235 (see Table A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 21% and 62%, respectively, of the total revenue raised (see Table A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$34,492,376 for 2018. These expenses (79%) are predominantly for the education, supervision and transportation of students (see Table A-5). The School District's administrative and business activities accounted for 18% of total costs.

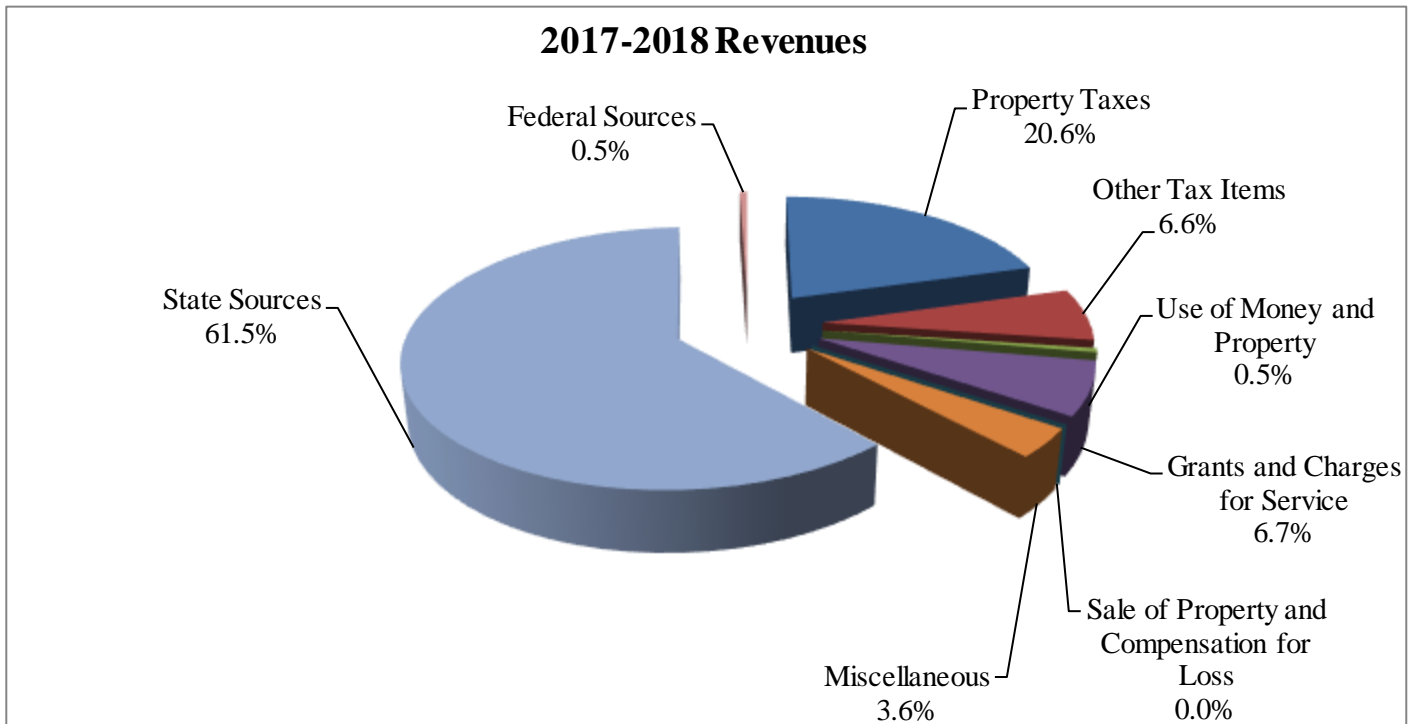
Net position decreased during the year by \$1,469,141.

**Table A-3**

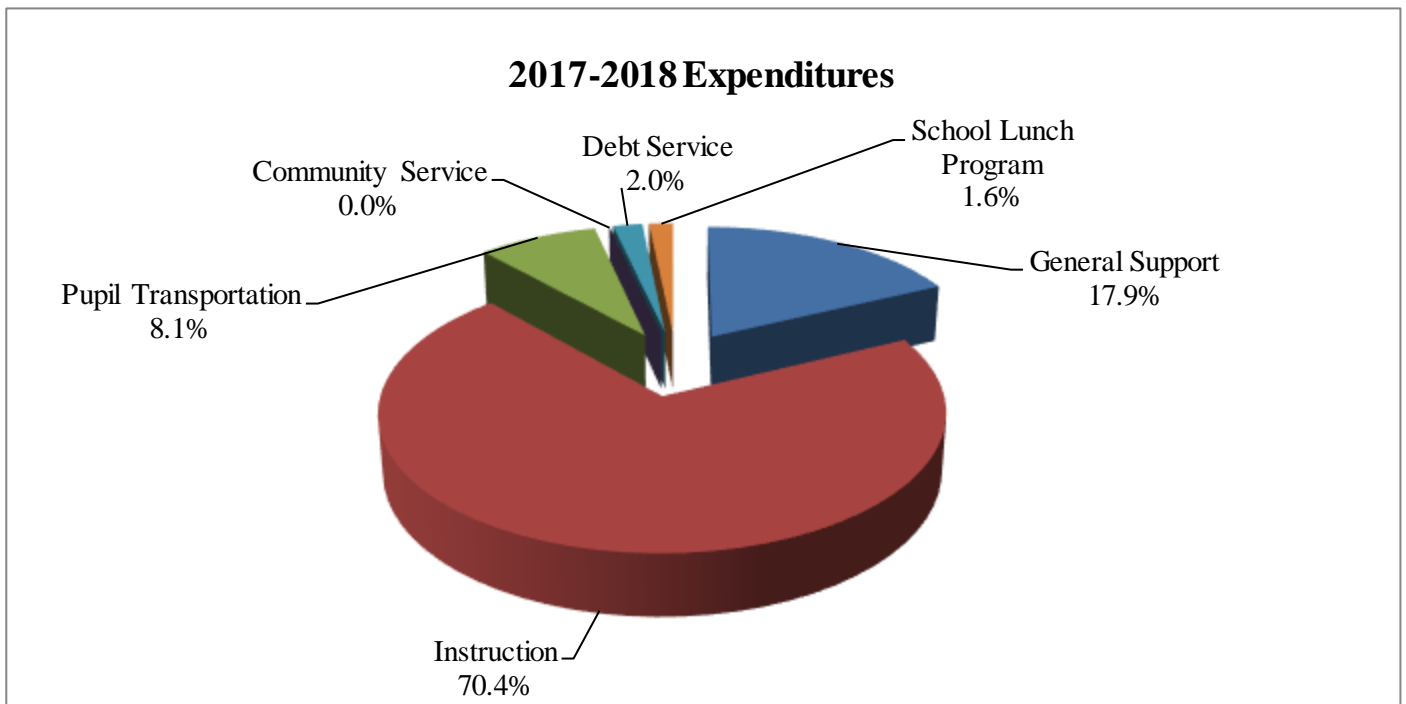
### Changes in Net Position from Operating Results (in thousands)

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>	<b>% Change (Increase, - Decrease)</b>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 422	\$ 434	-3
Operating grants and contributions	1,796	1,709	5
<b>General Revenues</b>			
Property taxes	8,978	8,601	4
State sources	20,280	19,249	5
Federal sources	171	84	104
Use of money and property	174	182	-4
Sale of property and compensation for loss	0	2	-100
Miscellaneous	1,203	1,048	15
<b>Total Revenues</b>	<b>33,024</b>	<b>31,309</b>	<b>5</b>
<b>Expenses</b>			
General support	6,175	5,562	11
Instruction	24,289	22,580	8
Transportation	2,786	3,730	-25
Community service	2	5	-60
Debt service	685	294	133
Cost of sales – Lunch Program	556	556	0
<b>Total Expenses</b>	<b>34,493</b>	<b>32,727</b>	<b>5</b>
<b>Total Change in Net Position</b>	<b>\$ (1,469)</b>	<b>\$ (1,418)</b>	<b>-4</b>

**REVENUES – TABLE A-4**



**EXPENDITURES – TABLE A-5**



## Governmental Activities

Revenue for the School District's governmental activities totaled \$33,023,235 while total expenses were \$34,492,376. Accordingly, net position decreased by \$1,469,141. The District's current year financial condition can be attributed to:

- Continued leadership by the Board of Education.
- Increased revenues from sources other than New York State.
- Use of services from BOCES.
- Improvement in procedures to maximize revenue and control expenditures.

**Table A-6** presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

**Table A-6**

### Net Cost of Governmental Activities (in thousands)

	Total Cost of Services		% Change (Incr.; -Decr.)	Net Cost of Services		% Change (Incr.; -Decr.)
	2018	2017		2018	2017	
General support	\$ 6,175	\$ 5,562	11%	\$ 6,175	\$ 5,562	11%
Instruction	24,289	22,580	8%	22,567	20,969	8%
Pupil transportation	2,786	3,730	-25%	2,786	3,730	-25%
Community service	2	5	-60%	2	5	-60%
Debt service - interest	685	294	133%	685	294	133%
Cost of sales - lunch program	556	556	0%	60	23	161%
<b>Totals</b>	<b>\$ 34,493</b>	<b>\$ 32,727</b>	<b>5%</b>	<b>\$ 32,275</b>	<b>\$ 30,583</b>	<b>6%</b>

- The cost of all governmental activities for the year was \$34,492,376.
- The users of the School District's programs financed \$421,918 of the costs.
- The federal and state government grants financed \$1,796,310.
- The majority of costs were financed by the School District's taxpayers and state aid.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balance deficit of \$22,273,807. The 2017-2018 decrease in overall fund balance was \$22,266,560. Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets and the current payments for debt, including the principal and interest payment.

## General Fund Budgetary Highlights

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

For the 2017-2018 school year, the voters of the District approved a budget of \$33,899,964. That budget was subsequently increased by \$665,738 due to the carryover of encumbrances from the 2016-2017 year.

Through careful monitoring and control, and thoughtful negotiation with bargaining units, there remained the sum of \$2,595,812 unexpended and unencumbered as of June 30, 2018.

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2018, the School District had \$44,669,948 (net of depreciation) invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment.

### Capital Assets

Table A-7

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

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Land, land improvements and construction in progress	\$ 33,696	\$ 11,878
Buildings and equipment	10,974	11,583
<b>Totals</b>	<u>\$ 44,670</u>	<u>\$ 23,461</u>

### Long-Term Debt

As of June 30, 2018, the School District had \$58,103,458 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

Table A-8

#### Outstanding long-term debt (in thousands)

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
General obligation bonds (financed with property taxes)	\$ 5,770	\$ 6,540
All other debt	52,333	16,584
<b>Totals</b>	<u>\$ 58,103</u>	<u>\$ 23,124</u>

Other debt is comprised of compensated absences and other post-employment benefits.

## FACTORS BEARING ON THE DISTRICT'S FUTURE

The Greater Johnstown School District continues to be a leader in the area of innovative education. The repurposing of the Jansen Avenue School for Project Based Learning and a regional location for Governor Cuomo's P-Tech Grant initiative, which involves all HFM BOCES component school districts, continues. The preparation of students for 21<sup>st</sup> Century jobs transcends the traditional learning environment and resources to support such an endeavor must be aligned.

The Gaming and Coding pathway program has evolved into the Foothills PTECH. This cooperative venture involving the Gloversville Enlarged School District, the Greater Johnstown School District, and Hamilton-Fulton-Montgomery BOCES is supported by a 7-year, \$3 million grant through New York State and by aidable programming through BOCES. The PTECH will enable students to receive endpoint associates' degrees as part of their high school program while creating a revenue stream to support educational expenses at Johnstown High School.

The Board of Education has established and maintains reserves to help offset anticipated increases and/or unexpected, unplanned expenses that may occur, as well as to help carry the local share of the capital project which is underway at present. These reserves include:

- New York State Employee's Retirement Reserve
- Reserve for Property Loss
- Reserve for Liability
- Reserve for Tax Reduction
- Reserve for Debt
- Capital Reserve for School Bus Purchases
- Reserve for Tax Certiorari
- Reserve for Workers' Compensation Liability

In addition, the District continues to hold in reserve a small amount for potential capital projects. These reserved funds will help to protect the District in the future.

Health insurance and other post-employment benefit costs will continue to increase and affect the District's financial health. Current legislation does not allow the District to set aside funds to defray future increases. The District has convened a Health Insurance Committee comprised of representatives from all bargaining units, the Board of Education, and District administration. The committee has investigated health insurance options that might be considered in an effort to contain costs related to this benefit. The group will meet throughout the 2018-2019 year to continue those efforts.

The Board of Education has assembled a Long-Range Planning committee with the purpose of examining District finances and educational programming to develop 5-year programming and spending goals. These goals will guide District decision-making to continue to provide high-quality programming while reducing the budgetary spending gap and making best efforts to comply with the tax cap legislation.

Federal funds will decrease again in 2018-2019, which will put additional pressure on the District's limited revenue sources and resources for support of these programs. Enrollment figures have decreased slightly over the past year and, while state aid has increased slightly, there has been no relief from unfunded mandates which continue to take a heavy toll financially.

The 3-year district wide Capital Project approved by the voters in 2014 continued throughout the 2017-2018 school year and is projected to conclude in 2018-2019. The District is working with advisors who specialize in Capital Projects to ensure that the state aid reimbursed to the District to cover project expenses is the maximum amount to which the District is entitled. The final aid-ability of the project and prevailing interest rates when the District does the final borrowing for the project will affect the financial state of the District in the upcoming years. At this point in time, the District does not anticipate that the financial impact to the taxpayers will vary greatly from what was projected at the time of the referendum in 2014.

Technology remains at the forefront of financial and programmatic planning conversations. The District successfully piloted computer-based testing (CBT) for New York State 3-8 Assessments in the 2017-2018 school year. The District plans to use CBT for all 3-8 testing in the 2018-2019 school year. The District will also launch the use of iReady software to support and enhance library literacy and mathematics instruction District-wide in the upcoming year. Technology infrastructure was upgraded as part of the Capital Project to support these and other educational programming that relies on technology. Upgrades to telephone and public address systems in the school buildings were also done as part of the project to enhance communications within the buildings for daily and emergency use. The District is updating the District-wide technology plan in anticipation of being awarded funding through New York State's Smart Bond program.

## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

Greater Johnstown School District  
Business Office  
1 Sir Bills Circle  
Suite 101  
Johnstown, New York 12095

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2018**

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 17,185,154
Restricted	3,527,842
Receivables	
State and Federal aid	1,490,870
Due from fiduciary funds	930,732
Due from other governments	1,855,082
Taxes receivable	369,307
Other receivables	86,362
Inventories	19,605
Net pension asset - proportionate share	487,497
Capital assets, net of depreciation	44,669,948
<b>Total Assets</b>	<u>70,622,399</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	7,517,888
<b>Total Deferred Outflows of Resources</b>	<u>7,517,888</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	1,389,255
Accrued liabilities	25,586
Collections in advance	51,839
Unearned grant revenues	370
Due to fiduciary funds	19,720
Bond anticipation note payable	44,380,000
Long-term liabilities	
Due and payable within one year	
Due to Teachers' Retirement System	1,360,689
Due to Employees' Retirement System	135,951
Bonds payable	795,000
Due and payable after one year	
Bonds payable	4,975,000
Net pension liability - proportionate share	269,373
Other post-employment benefits	52,126,682
Compensated absences payable	206,776
<b>Total Liabilities</b>	<u>105,736,241</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Other post-employment benefits	2,356,603
Pensions	2,388,036
<b>Total Deferred Inflows of Resources</b>	<u>4,744,639</u>
<b>NET POSITION</b>	
Net investment in capital assets	26,133,786
Restricted	
Reserve for liability and property loss	494,209
Reserve for tax certiorari	48,633
Reserve for debt service	2,000,000
Reserve for capital projects	85,000
Reserve for capital projects - buses	666,417
Reserve for employee benefit accrued liability	174,573
Reserve for workers' compensation	502,200
Reserve for retirement contribution	900,000
Unrestricted	(63,345,411)
<b>Total Net Position</b>	<u>\$ (32,340,593)</u>

See notes to basic financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Changes in Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 6,174,672	\$ 0	\$ 0	\$ (6,174,672)
Instruction	24,288,993	(295,514)	(1,426,523)	(22,566,956)
Pupil transportation	2,785,902	0	0	(2,785,902)
Debt service	684,702	0	0	(684,702)
Community service	1,818	0	0	(1,818)
School lunch program	556,289	(126,404)	(369,787)	(60,098)
<b>Total Functions and Programs</b>	<u>\$ 34,492,376</u>	<u>\$ (421,918)</u>	<u>\$(1,796,310)</u>	<u>(32,274,148)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				6,805,752
Other tax items				2,172,102
Use of money and property				173,929
Miscellaneous				1,202,600
State sources				20,279,703
Federal sources				170,921
<b>Total General Revenues</b>				<u>30,805,007</u>
<b>CHANGE IN NET POSITION</b>				(1,469,141)
<b>TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>				<u>(30,871,452)</u>
<b>TOTAL NET POSITION - END OF YEAR</b>				<u>\$ (32,340,593)</u>

See notes to basic financial statements.



**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 4,416,883	\$ 293	\$ 1,816	\$ 12,766,162	\$ 17,185,154
Restricted	3,527,842	0	0	0	3,527,842
Due from other funds	1,547,029	378,707	66,402	697,641	2,689,779
Due from fiduciary funds	881,556	49,176	0	0	930,732
State and Federal aid receivable	680,336	787,928	22,606	0	1,490,870
Due from other governments	1,855,082	0	0	0	1,855,082
Taxes receivable	369,307	0	0	0	369,307
Other receivables	86,362	0	0	0	86,362
Inventories	0	0	19,605	0	19,605
<b>TOTAL ASSETS</b>	<u>\$ 13,364,397</u>	<u>\$ 1,216,104</u>	<u>\$ 110,429</u>	<u>\$ 13,463,803</u>	<u>\$ 28,154,733</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 568,186	\$ 132,753	\$ 4,201	\$ 684,115	\$ 1,389,255
Accrued liabilities	22,692	215	2,679	0	25,586
Due to other funds	1,124,162	1,082,766	316,391	166,460	2,689,779
Due to fiduciary funds	16,465	0	3,255	0	19,720
Bond anticipation note payable	0	0	0	44,380,000	44,380,000
Due to Employees' Retirement System	135,951	0	0	0	135,951
Due to Teachers' Retirement System	1,360,689	0	0	0	1,360,689
Collections in advance	51,839	0	0	0	51,839
Unearned grant revenues	0	370	0	0	370
<b>Total Liabilities</b>	<u>3,279,984</u>	<u>1,216,104</u>	<u>326,526</u>	<u>45,230,575</u>	<u>50,053,189</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred tax revenues	375,351	0	0	0	375,351
<b>Total Deferred Inflows of Resources</b>	<u>375,351</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>375,351</u>
<b>FUND BALANCE</b>					
Nonspendable					
Reserved for inventory	0	0	19,605	0	19,605
Restricted					
Reserve for liability and property loss	494,209	0	0	0	494,209
Reserve for tax certiorari	48,633	0	0	0	48,633
Reserve for debt service	2,000,000	0	0	0	2,000,000
Reserve for capital projects	85,000	0	0	0	85,000
Reserve for capital projects - buses	666,417	0	0	0	666,417
Reserve for workers' compensation	502,200	0	0	0	502,200
Reserve for employee benefit accrued liability	174,573	0	0	0	174,573
Reserve for retirement contribution	900,000	0	0	0	900,000
Assigned	2,250,545	3,650	0	3,927,157	6,181,352
Unassigned	2,587,485	(3,650)	(235,702)	(35,693,929)	(33,345,796)
<b>Total Fund Balance</b>	<u>9,709,062</u>	<u>0</u>	<u>(216,097)</u>	<u>(31,766,772)</u>	<u>(22,273,807)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 13,364,397</u>	<u>\$ 1,216,104</u>	<u>\$ 110,429</u>	<u>\$ 13,463,803</u>	<u>\$ 28,154,733</u>

See notes to basic financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO STATEMENT OF NET POSITION**

**JUNE 30, 2018**

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Total balance - governmental funds balance sheet (page 15)	\$ (22,273,807)
Add:	
Land, building and equipment, net of accumulated depreciation	44,669,948
Pensions	7,517,888
Net pension asset - proportionate share	487,497
Deferred tax revenues	375,351
	<hr/>
Total	53,050,684
Deduct:	
Compensated absences	206,776
Other post-employment benefits	54,483,285
Pensions	2,388,036
Net pension liability - proportionate share	269,373
Bonds payable	5,770,000
	<hr/>
Total	63,117,470
<b>NET POSITION, GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ (32,340,593)</u></u></b>

See notes to basic financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$ 6,753,792	\$ 0	\$ 0	\$ 0	\$ 6,753,792
Other tax items	2,172,102	0	0	0	2,172,102
Charges for services	295,514	0	0	0	295,514
Use of money and property	173,927	0	2	0	173,929
Miscellaneous	819,890	6,868	2,737	373,105	1,202,600
State sources	20,279,703	501,421	10,561	0	20,791,685
Federal sources	170,921	925,102	318,773	0	1,414,796
Surplus food	0	0	40,453	0	40,453
Sales - school lunch	0	0	126,404	0	126,404
<b>Total Revenues</b>	<u>30,665,849</u>	<u>1,433,391</u>	<u>498,930</u>	<u>373,105</u>	<u>32,971,275</u>
<b>EXPENDITURES</b>					
General support	4,193,765	0	0	0	4,193,765
Instruction	15,453,297	1,043,502	0	0	16,496,799
Pupil transportation	1,876,562	15,590	0	0	1,892,152
Community service	1,818	0	0	0	1,818
Employee benefits	8,472,292	393,363	56,704	0	8,922,359
Debt service					
Principal	990,000	0	0	0	990,000
Interest	684,702	0	0	0	684,702
Cost of sales	0	0	458,493	0	458,493
Capital outlay	0	0	0	21,817,747	21,817,747
<b>Total Expenditures</b>	<u>31,672,436</u>	<u>1,452,455</u>	<u>515,197</u>	<u>21,817,747</u>	<u>55,457,835</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,006,587)</u>	<u>(19,064)</u>	<u>(16,267)</u>	<u>(21,444,642)</u>	<u>(22,486,560)</u>
<b>OTHER FINANCING SOURCES AND USES</b>					
BANs redeemed from appropriations	0	0	0	220,000	220,000
Operating transfers in	0	19,064	0	0	19,064
Operating transfers (out)	(19,064)	0	0	0	(19,064)
<b>Total Other Sources (Uses)</b>	<u>(19,064)</u>	<u>19,064</u>	<u>0</u>	<u>220,000</u>	<u>220,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES</b>	<u>(1,025,651)</u>	<u>0</u>	<u>(16,267)</u>	<u>(21,224,642)</u>	<u>(22,266,560)</u>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<u>10,734,713</u>	<u>0</u>	<u>(199,830)</u>	<u>(10,542,130)</u>	<u>(7,247)</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 9,709,062</u>	<u>\$ 0</u>	<u>\$ (216,097)</u>	<u>\$ (31,766,772)</u>	<u>\$ (22,273,807)</u>

See notes to basic financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2018**

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<b>REVENUES</b>		
Governmental funds	\$ 32,971,275	
Add:		
Current year deferred tax revenue	375,351	
Deduct:		
Prior year deferred tax revenue	<u>323,391</u>	
<b>REVENUES - STATEMENT OF ACTIVITIES</b>		33,023,235
<b>EXPENDITURES</b>	55,457,835	
Add:		
Depreciation	663,952	
Pensions	113,359	
Increase in other post-employment benefits	<u>1,127,900</u>	
	1,905,211	
Deduct:		
Principal payments of long-term debt	990,000	
Change in fixed assets	21,872,458	
Decrease in compensated absences	<u>8,212</u>	
	<u>22,870,670</u>	
<b>EXPENDITURES - STATEMENT OF ACTIVITIES</b>		<u>34,492,376</u>
<b>CHANGE IN NET POSITION</b>		<u>\$ (1,469,141)</u>

See notes to basic financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2018**

	<u>Private Purpose Trust</u>	<u>Non-Expendable Trust Fund</u>	<u>Agency</u>
<b>ASSETS</b>			
Cash	\$ 102,103	\$ 0	\$ 1,042,910
Investment - restricted	15,893	182,771	0
Due from governmental funds	<u>0</u>	<u>0</u>	<u>19,720</u>
<b>Total Assets</b>	<u>117,996</u>	<u>182,771</u>	<u>\$ 1,062,630</u>
<b>LIABILITIES</b>			
Due to governmental funds	222	0	\$ 930,510
Extraclassroom activity balances	0	0	111,587
Other liabilities	<u>0</u>	<u>0</u>	<u>20,533</u>
<b>Total Liabilities</b>	<u>222</u>	<u>0</u>	<u>\$ 1,062,630</u>
<b>NET POSITION</b>	<u>\$ 117,774</u>	<u>\$ 182,771</u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trust</u>	<u>Non-Expendable Trust Fund</u>
<b>ADDITIONS</b>		
Investment earnings (loss)	\$ 967	\$ 10,813
Gifts and contributions	<u>23,900</u>	<u>0</u>
<b>Total additions</b>	24,867	10,813
<b>DEDUCTIONS</b>		
Scholarships and awards	<u>23,910</u>	<u>0</u>
<b>Changes in Net Position</b>	957	10,813
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>116,817</u>	<u>171,958</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 117,774</u>	<u>\$ 182,771</u>

See notes to basic financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

**i) Extraclassroom Activity Funds**

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

**B. Joint Venture**

The District is one of 15 component districts in the Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**B. Joint Venture – (Continued)**

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

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

During the year, the District was billed \$5,762,521 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued \$-0- of serial bonds on behalf of BOCES. As of year-end, the District had outstanding BOCES debt of \$-0-.

The District's share of BOCES aid amounted to \$1,741,939.

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

**C. 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. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**C. Basis of Presentation – (Continued)**

**2. Fund Statements**

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

The District reports the following major governmental funds:

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

**School Lunch Fund** – This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted for expenditures of the school breakfast and lunch programs.

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

**Capital Projects Fund** – These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities.

The District reports the following fiduciary funds:

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

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

**D. Measurement Focus and Basis of Accounting**

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



**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**D. Measurement Focus and Basis of Accounting – (Continued)**

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

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

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.

**E. Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to October 31.

The City and Counties in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, a deferred inflow of resources offset real property taxes receivable.

**F. Restricted Resources**

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.

**G. Interfund Transactions**

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

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**G. Interfund Transactions – (Continued)**

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**H. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**I. Cash (and Cash Equivalents)/Investments**

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Investments are stated at fair value based on quoted market prices.

**J. Accounts Receivable**

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

**K. Inventories and Prepaid Items**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

GREATER JOHNSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**K. Inventories and Prepaid Items – (Continued)**

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these nonliquid assets (inventories) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

**L. Capital Assets**

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on direct costing, standard costing or normal costing methods, 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:

	<b><u>Capitalization Threshold</u></b>	<b><u>Depreciation Method</u></b>	<b><u>Estimated Useful Life</u></b>
Buses	\$ 5,000	Straight-line	8
Land	5,000	N/A	N/A
Building and improvements	5,000	Straight-line	20-50
Machinery and equipment	5,000	Straight-line	5-30

**M. Deferred Outflows and Inflows of Resources**

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**M. Deferred Outflows and Inflows of Resources – (Continued)**

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 four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the District’s proportion of the collective net pension liability (ERS System) and net pension asset (TRS System) and difference during the measurement periods between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

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

At June 30, 2018, 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, 2018 for ERS and June 30, 2017 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District’s proportion of the net pension asset (liability) was based on a projection of the District’s long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<b><u>ERS</u></b>	<b><u>TRS</u></b>
	March 31, 2018	June 30, 2017
District's proportionate share of the net pension asset (liability)	\$ (269,373)	\$ 487,497
District's portion of the Plan's total net pension asset (liability)	0.0083463%	0.064136%
Change in proportion since the prior measurement date	(0.0009354)%	(0.001961)%

For the year ended June 30, 2018, the District’s recognized pension expense of \$386,052 for ERS and \$1,154,860 for TRS. At June 30, 2018, the District’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	<b>ERS</b>	<b>TRS</b>	<b>ERS</b>	<b>TRS</b>
Differences between expected and actual experience	\$ 96,077	\$ 401,090	\$ 79,394	\$ 190,070
Changes of assumptions	178,616	4,960,379	0	0
Net difference between projected and actual earnings on pension plan investments	391,243	0	772,274	1,148,197
Changes in proportion and differences between the District's contributions and proportionate share of contributions	80,213	119,459	47,770	150,331
District's contributions subsequent to the measurement date	135,951	1,154,860	0	0
<b>Total</b>	<b>\$ 882,100</b>	<b>\$6,635,788</b>	<b>\$ 899,438</b>	<b>\$1,488,598</b>

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**M. Deferred Outflows and Inflows of Resources – (Continued)**

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

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, 2019. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

	<b>ERS</b>	<b>TRS</b>
Year ended:		
2019	\$ 66,562	\$1,307,291
2020	55,996	934,075
2021	(187,319)	228,070
2022	(88,528)	931,343
2023	0	483,813
Thereafter	0	0

**Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary scale	3.8%	1.90 - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	Systems experience	Systems experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 through March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 through June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

GREATER JOHNSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**M. Deferred Outflows and Inflows of Resources – (Continued)**

**Actuarial Assumptions – (Continued)**

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

Measurement date	<u>ERS</u> March 31, 2018	<u>TRS</u> June 30, 2017
<b><u>Asset type</u></b>		
Domestic equity	4.55%	5.90%
International equity	6.35	7.40
Real estate	5.55	4.30
Domestic fixed income securities	0	1.60
Global fixed income securities	0	1.30
High-yield fixed income securities	0	3.90
Mortgages	0	2.80
Short-term	0	0.60
Private equity/alternative investments	7.50	9.00
Absolute return strategies	3.75	0
Opportunistic portfolio	5.68	0
Bonds and mortgages	1.31	0
Cash	(0.25)	0
Inflation index bonds	1.25	0
Real assets	5.29	0

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0% for ERS and 6.25% for TRS) or 1 percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**M. Deferred Outflows and Inflows of Resources – (Continued)**

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

	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
<b><u>ERS</u></b>			
District's proportionate share of the net pension asset (liability)	\$(2,038,148)	\$ (269,373)	\$ 1,226,940
	<b>1% Decrease (6.25%)</b>	<b>Current Assumption (7.25%)</b>	<b>1% Increase (8.25%)</b>
<b><u>TRS</u></b>			
District's proportionate share of the net pension asset (liability)	\$(8,398,132)	\$ 487,497	\$ 7,928,771

**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:

	<b>(Dollars in thousands)</b>		
	<b><u>ERS</u></b>	<b><u>TRS</u></b>	<b><u>Total</u></b>
Measurement date	March 31, 2018	June 30, 2017	
Employers' total pension asset (liability)	\$(183,400,590)	\$(114,708,261)	\$(298,108,851)
Plan fiduciary net position asset (liability)	180,173,145	115,468,360	295,641,505
Employers' net pension asset (liability)	(3,227,445)	760,099	(2,467,346)
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	98.24%	100.7%	99.17%

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$135,951.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November, 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amount to \$1,360,689.

Additional pension information can be found in Note 10.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**N. Unearned Revenue**

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

**O. Vested Employee Benefits**

**Compensated Absences**

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

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

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, 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.

**P. Other Benefits**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially, all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.



**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Q. Short-Term Debt**

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

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

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

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

**R. Accrued Liabilities and Long-Term Obligations**

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

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

**S. Health Insurance Plan**

The School District provides health insurance benefits primarily through participation in the Fulmont Health Trust, (the Plan). The Plan was self-insured for the year ended June 30, 2018. 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 pays an estimate of its actual claims and expenses monthly based on its experience in the Plan. The Plan has a stop loss policy to protect the School District from unusually high claims. Excess funds, if any, at the close of the Plan's year (December 31), would be used to pay subsequent assessments/premiums. If the Plan were to be discontinued and after exhausting its assets, each member would be responsible for its own liabilities.

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**T. Equity Classifications**

**District-Wide Statements**

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

**i) 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.

**ii) Restricted Net Position**

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

**iii) Unrestricted Net Position**

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

**Funds Statements**

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

**1. Nonspendable**

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$19,605.

**2. 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 District has established the following restricted fund balances:

**Currently Utilized by the District:**

**Capital**

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

GREATER JOHNSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**T. Equity Classifications – (Continued)**

**Funds Statements – (Continued)**

**2. Restricted – (Continued)**

**Currently Utilized by the District: – (Continued)**

**Liability Claims and Property Loss**

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

**Workers' Compensation**

According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund under Restricted Fund Balance.

**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.

**Debt Service**

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

**Tax Certiorari**

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

GREATER JOHNSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**T. Equity Classifications – (Continued)**

**Funds Statements – (Continued)**

**2. Restricted – (Continued)**

**Currently Utilized by the District: – (Continued)**

**Employee Benefit Accrued Liability**

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

**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.

**3. Committed**

Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School Districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2018.

**4. Assigned**

Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

**5. 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 District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

**Reserve for Tax Reduction**

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of 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. This reserve is accounted for in the General Fund.

GREATER JOHNSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**T. Equity Classifications – (Continued)**

**Funds Statements – (Continued)**

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 annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Education.

**U. New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standards issued by GASB:

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

**V. Future Changes in Accounting Standards**

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019. This statement establishes criteria for determining the timing and pattern of recognition of liability and corresponding deferred outflow of resources for asset retirement obligations.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2019. This statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases along with recognition of inflows and outflows of resources, as appropriate.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019. This statement establishes new disclosure requirements related to debt.

GASB has issued Statement No. 89, *Accounting Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021. This statement requires that interest cost incurred during construction be expensed in that period rather than being included in the cost of the capital asset.

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

GREATER JOHNSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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**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 fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-wide statements, compared with the current financial resources focus of the governmental funds.

**A. Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balance 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 long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

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

**i) Long-Term Revenue Differences**

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

**ii) Capital Related Differences**

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

**iii) Long-Term Debt Transaction Differences**

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

**iv) Pension Differences**

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

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

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

Appropriations are adopted at the program line item level.

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

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**Encumbrances**

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

**New York State Real Property Tax Law Limit**

The portion of the District's fund balance subject to the New York State Real Property Tax Law Section 1318 limit exceed the amount allowable, which is 4% of the District's budget for the upcoming school year.

**Fund Balance Deficit**

**School Lunch Fund:**

Total fund balance deficit for school lunch was \$216,097. The District's future plans are to eliminate the deficit and to run the program with operating profits.

**Capital Projects Fund:**

The capital projects fund had a deficit fund balance of \$31,766,772 at June 30, 2018. This will be funded when the District obtains permanent financing for the current project.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 4 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS**

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

The District’s aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District’s name		15,859,735

All cash balances are fully covered by depository insurance at year-end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$3,527,842 within the governmental funds and \$1,145,013 in fiduciary funds.

**NOTE 5 – INVESTMENTS**

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District’s investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are categorized as either:

- a. Insured or registered, or investments held by the District or by the District’s agent in the District’s name, or
- b. Uninsured and unregistered, with the investments held by the financial institution’s trust department in the District’s name, or
- c. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District’s name.

**Investment**

<b><u>Fund</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>
Carrying amount (fair value)	\$ 500	\$10,661	\$ 3,509	\$ 893	\$ 330
Unrealized investment gain/loss	0	2,851	(33)	5	(68)
Type of investment	Money Market	Equities	Fixed Income	Hedge Funds	Tangible Assets
Category of investment	C	C	C	C	C



**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 5 – INVESTMENTS – (CONTINUED)**

<b><u>Fund</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Private Purpose Trust</u></b>
Carrying amount (fair value)	\$ 5,763	\$122,596	\$40,355	\$10,267	\$ 3,790
Unrealized investment gain/loss	0	32,790	(379)	61	(780)
Type of investment	Money Market	Equities	Fixed Income	Hedge Funds	Tangible Assets
Category of investment	C	C	C	C	C

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

**NOTE 6 – CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Retirements/ Reclassifications</u></b>	<b><u>Ending Balance</u></b>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 261,396	\$ 0	\$ 0	\$ 261,396
Construction in process	10,977,700	21,817,747	0	32,795,447
Total nondepreciable historical cost	<u>11,239,096</u>	<u>21,817,747</u>	<u>0</u>	<u>33,056,843</u>
Capital assets that are depreciated:				
Land improvements	639,076	0	0	639,076
Buildings	27,833,004	0	0	27,833,004
Furniture and equipment	8,902,405	72,085	173,745	8,800,745
Total depreciable historical cost	<u>37,374,485</u>	<u>72,085</u>	<u>173,745</u>	<u>37,272,825</u>
Less accumulated depreciation:				
Buildings, furniture and equipment	<u>25,152,139</u>	<u>663,952</u>	<u>156,371</u>	<u>25,659,720</u>
Total accumulated depreciation	<u>25,152,139</u>	<u>663,952</u>	<u>156,371</u>	<u>25,659,720</u>
Net depreciable historical cost	<u>12,222,346</u>	<u>(591,867)</u>	<u>17,374</u>	<u>11,613,105</u>
<b>GRAND TOTAL</b>	<u><u>\$ 23,461,442</u></u>	<u><u>\$ 21,225,880</u></u>	<u><u>\$ 17,374</u></u>	<u><u>\$ 44,669,948</u></u>

Depreciation was allocated to the following programs as follows:

General support	\$ 120,550
Instruction	474,203
Pupil transportation	54,390
School lunch program	14,809
<b>TOTAL</b>	<u><u>\$ 663,952</u></u>

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 7 – SHORT-TERM DEBT**

Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	7/20/2017	1.5%	\$ 6,500,000	\$ 0	\$ 6,500,000	\$ 0
BAN	7/20/2017	2.0%	3,000,000	0	3,000,000	0
BAN	6/29/2018	1.3%	0	27,455,000	27,455,000	0
BAN	7/6/2018	2.5%	0	5,000,000	0	5,000,000
BAN	6/28/2019	2.8%	0	39,380,000	0	39,380,000
<b>TOTALS</b>			<u>\$ 9,500,000</u>	<u>\$ 71,835,000</u>	<u>\$ 36,955,000</u>	<u>\$ 44,380,000</u>

Interest paid on short term debt was \$477,641.

**NOTE 8 – LONG-TERM DEBT**

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds and notes payable					
General obligation debt	\$ 6,540,000	\$ 0	\$ 770,000	\$ 5,770,000	\$ 795,000
Other liabilities:					
Other post-employment benefits	16,368,626	35,758,056	0	52,126,682	0
Compensated absences, net	214,988	0	8,212	206,776	0
Total other liabilities	16,583,614	35,758,056	8,212	52,333,458	0
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 23,123,614</u>	<u>\$35,758,056</u>	<u>\$ 778,212</u>	<u>\$58,103,458</u>	<u>\$ 795,000</u>

The current portion (amount due within one year) of other liabilities as of June 30, 2018, was not determinable.

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Serial Bond</u>	<u>Serial Bond</u>	<u>Serial Bond</u>
Issue date	2015	2013	2016
Final maturity	2020	2018	2028
Interest rate	1.00 - 2.00%	1.50-1.875%	2.00-4.00%
Outstanding at year end	\$ 145,000	\$ 65,000	\$ 5,560,000

In the prior year, the District defeased certain general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

The following is a summary of maturity of indebtedness:

Interest paid on long-term debt for the year was \$207,061.

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 8 – LONG-TERM DEBT – (CONTINUED)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2019	\$ 795,000	\$ 185,604	\$ 980,604
2020	760,000	163,850	923,850
2021	700,000	142,500	842,500
2022	725,000	121,550	846,550
2023	580,000	105,800	685,800
Thereafter	2,210,000	255,800	2,465,800
<b>TOTALS</b>	<b>\$ 5,770,000</b>	<b>\$ 975,104</b>	<b>\$ 6,745,104</b>

**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 2,428,585	\$ 1,140,627	\$ 0	\$ 19,064
Special Aid Fund	427,883	1,082,766	19,064	0
School Lunch Fund	66,402	319,646	0	0
Capital Projects Fund	697,641	166,460	0	0
Total Governmental Activities	3,620,511	2,709,499	19,064	19,064
Fiduciary Agency Fund	19,720	930,732	0	0
<b>TOTALS</b>	<b>\$ 3,640,231</b>	<b>\$ 3,640,231</b>	<b>\$ 19,064</b>	<b>\$ 19,064</b>

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.

**NOTE 10 – PENSION PLANS**

**General Information**

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 10 – PENSION PLANS – (CONTINUED)**

**Plan Descriptions and Benefits Provided:**

**Teachers' Retirement System (TRS)**

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

**Employees' Retirement System (ERS)**

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

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

GREATER JOHNSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 10 – PENSION PLANS – (CONTINUED)**

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2018	\$ 1,154,860	\$ 386,052
2017	1,296,020	380,417
2016	1,255,383	377,135

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

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

Additional pension information can be found in Note 1 M.

**NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS**

**General Information About the OPEB Plan:**

**Plan Description**

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits Provided**

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

**Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	182
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>280</u>
Total	<u><u>462</u></u>

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)**

**Total OPEB Liability:**

The District's total OPEB liability of \$52,126,682 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2016.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	10.47 – 3.20%, including inflation
Discount Rate	3.87%
Healthcare Cost Trend Rates	5.50% for 2018, decreasing to an ultimate rate of 3.84% by 2078

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

**Changes in the Total OPEB Liability:**

Balance at June 30, 2017	\$ 53,355,385
Changes for the year:	
Service cost	1,586,592
Interest	1,873,939
Changes in benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	(2,667,769)
Benefit payments	<u>(2,021,465)</u>
Net changes	<u>(1,228,703)</u>
Balance at June 30, 2018	<u>\$ 52,126,682</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 63,878,936	\$ 52,126,682	\$ 44,884,419

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.5% decreasing to 2.84%) or 1 percentage point higher (6.5% decreasing to 4.84%) than the current healthcare cost trend rate:

	<u>1% Decrease (4.50% Decreasing to 2.84%)</u>	<u>Healthcare Cost Trend Rates (5.50% Decreasing to 3.84%)</u>	<u>1% Increase (6.50% Decreasing to 4.84%)</u>
Total OPEB Liability	\$ 44,244,154	\$ 52,126,682	\$ 64,892,688

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,127,900. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions or other inputs	<u>0</u>	<u>2,356,603</u>
Total	<u>\$ 0</u>	<u>\$ 2,356,603</u>

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – (Continued)**

<b><u>Fiscal Year Ending June 30:</u></b>	
2019	\$ 311,166
2020	311,166
2021	311,166
2022	311,166
2023	311,166
Thereafter	<u>800,773</u>
Total	<u>\$ 2,356,603</u>

**NOTE 12 – RISK MANAGEMENT**

**General**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, injuries to employees, errors and omissions and natural disasters, etc. The risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

**Consortiums and Self Insured Plans**

The District participates in Fulmont Workers Compensation Plan, a risk-sharing pool to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to workers' compensation claims. The District's share of liability for unbilled and open claims is \$270,109.

For its employee health and accident insurance coverage, the District is a participant in the Fulmont Health Trust, a public entity risk pool operated for the benefit of seven individual school districts located within Montgomery and Fulton Counties.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 14 – TAX ABATEMENTS**

The County of Fulton, enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The School District's property tax revenue was reduced \$107,261. The District received Payment in Lieu of Tax (PILOT) payment totaling \$142,340.



**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 15 – RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. The implementation of Statement No. 75 resulting in the reporting of a liability and deferred inflows of resources related to the District's other post-employment benefits. The District's net position has been restated as follows:

Net Position beginning of year as previously stated	\$ 6,115,307
GASB Statement No. 75 implementation:	
Difference Beginning OPEB Liability and previously recorded OPEB Liability	<u>(36,986,759)</u>
Net position beginning of year as restated	<u>\$ (30,871,452)</u>

**NOTE 16 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the issuance date of the financial statements. No matters were considered material to the issued financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Final Budget Variance with Budgetary Actual Over (Under)</u>
<b>REVENUES:</b>				
<b>Local Sources</b>				
Real property taxes	\$ 8,297,162	\$ 6,794,353	\$ 6,753,792	\$ (40,561)
Real property tax items	554,958	2,057,767	2,172,102	114,335
Charges for services	179,100	179,100	295,514	116,414
Use of money and property	616,500	616,500	173,927	(442,573)
Miscellaneous	108,000	108,000	819,890	711,890
Interfund revenues	10,000	10,000	0	(10,000)
<b>Total Local Sources</b>	<u>9,765,720</u>	<u>9,765,720</u>	<u>10,215,225</u>	<u>449,505</u>
<b>State Sources</b>	20,485,179	20,485,179	20,279,703	(205,476)
<b>Federal Sources</b>	75,000	75,000	170,921	95,921
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	<u>1,005,800</u>	<u>1,005,800</u>	<u>0</u>	<u>(1,005,800)</u>
<b>Total Revenues and Other Financing Sources</b>	<u>31,331,699</u>	<u>31,331,699</u>	<u>30,665,849</u>	<u>\$ (665,850)</u>

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Year End Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under</u>
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of Education	60,585	56,112	55,411	\$ 0	\$ 701
Central administration	202,069	199,392	196,085	0	3,307
Finance	430,626	475,442	430,359	16,750	28,333
Staff	187,634	130,173	122,273	0	7,900
Central services	2,904,876	2,882,408	2,809,736	7,946	64,726
Special items	600,671	580,331	579,901	0	430
<b>Instructional</b>					
Instruction, administration and improvements	1,170,505	1,084,720	1,058,434	338	25,948
Teaching – regular school	8,751,648	8,684,099	8,342,463	9,634	332,002
Programs for children with handicapping conditions	4,514,409	4,356,009	3,386,935	0	969,074
Occupational education	724,306	741,973	741,972	0	1
Teaching - special school	185,000	185,000	102,542	0	82,458
Instructional media	914,466	1,372,371	837,413	240,091	294,867
Pupil services	1,119,966	1,130,508	983,538	3,629	143,341
<b>Pupil Transportation</b>	1,999,439	2,005,750	1,876,562	0	129,188
<b>Community Services</b>	7,000	6,500	1,818	0	4,682
<b>Employee Benefits</b>	8,262,202	8,810,352	8,472,292	0	338,060
<b>Debt Service</b>	1,844,562	1,844,562	1,674,702	0	169,860
<b>Total Expenditures</b>	33,879,964	34,545,702	31,672,436	278,388	2,594,878
<b>Other Financing Uses</b>					
Transfers to other funds	20,000	20,000	19,064	0	936
<b>Total Expenditures and Other Uses</b>	33,899,964	34,565,702	31,691,500	\$ 278,388	\$ 2,595,814
<b>NET CHANGE IN FUND BALANCE</b>	(2,568,265)	(3,234,003)	(1,025,651)		
<b>FUND BALANCE – BEGINNING</b>	10,734,713	10,734,713	10,734,713		
<b>FUND BALANCE – ENDING</b>	\$ 8,166,448	\$ 7,500,710	\$ 9,709,062		

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS OTHER POST-EMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Measurement Date</b>	June 30, 2018
<b>Total OPEB Liability</b>	
Service cost	\$ 1,586,592
Interest	1,873,939
Change of benefit terms	0
Differences between expected and actual experience	0
Change of assumptions or other inputs	(2,667,769)
Benefit payments	<u>(2,021,465)</u>
<b>Net change in total OPEB liability</b>	(1,228,703)
<b>Total OPEB Liability - beginning</b>	<u>53,355,385</u>
<b>Total OPEB Liability - ending</b>	<u><u>\$ 52,126,682</u></u>
<b>Covered-employee payroll</b>	\$ 13,956,493
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	373.49%
<b>Plan's fiduciary net position</b>	\$ 0
<b>Net OPEB Liability</b>	\$ 52,126,682

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**FOR THE YEARS ENDED JUNE 30, 2018, 2017, 2016 AND 2015**

**NYS Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0083463%	0.0092817%	0.0087954%	0.0090443%
District's proportionate share of the net pension liability (asset)	\$ 269,373	\$ 872,132	\$ 1,411,681	\$ 305,537
District's covered-employee payroll	2,656,066	2,524,787	2,384,703	2,598,697
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.1%	34.5%	59.2%	11.8%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%

**NYS Teachers' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.064136%	0.066097%	0.064083%	0.060506%
District's proportionate share of the net pension liability (asset)	\$ (487,497)	\$ 707,926	\$ (6,656,189)	\$ (6,929,334)
District's covered-employee payroll	10,694,561	10,163,439	10,503,591	10,037,407
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.6%	7.0%	63.4%	69.0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.70%	99.00%	110.50%	111.48%

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS**  
**FOR THE YEARS ENDED JUNE 30, 2018, 2017, 2016 AND 2015**

**NYS Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 386,052	\$ 380,417	\$ 444,137	\$ 508,777
Contributions in relation to the contractually required contribution	<u>386,052</u>	<u>380,417</u>	<u>444,137</u>	<u>508,777</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 2,656,066	\$ 2,524,787	\$ 2,384,703	\$ 2,598,697
Contribution as a percentage of covered-employee payroll	14.53%	15.07%	18.62%	19.58%

**NYS Teachers' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,048,067	\$ 1,191,155	\$ 1,392,710	\$ 1,687,464
Contributions in relation to the contractually required contribution	<u>1,048,067</u>	<u>1,191,155</u>	<u>1,392,710</u>	<u>1,687,464</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 10,694,561	\$ 10,163,439	\$ 10,503,591	\$ 10,037,407
Contribution as a percentage of covered-employee payroll	9.80%	11.72%	13.26%	16.81%

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

GREATER JOHNSTOWN SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

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CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

<b>ADOPTED BUDGET</b>	\$ 33,899,964
<b>ADDITIONS:</b>	
Prior year's encumbrances	<u>665,738</u>
<b>FINAL BUDGET</b>	<u><u>\$ 34,565,702</u></u>

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SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

FOR THE YEAR ENDED JUNE 30, 2018

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2018-2019 voter-approved expenditure budget	\$ 35,653,431
Maximum allowed (4% of 2018-2019 budget)	1,426,137
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	2,250,545
Unassigned fund balance	<u>2,587,485</u>
Total unrestricted fund balance	4,838,030
Less:	
Appropriated fund balance and encumbrances	2,250,545
Tax reduction reserve	<u>1,000,000</u>
Total utilized	<u><u>3,250,545</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,587,485</u></u>
Actual percentage	4.5%

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES**

**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balances</u>
			<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>		<u>Local Sources</u>	<u>State Aid</u>	<u>Proceeds of Obligations</u>	
Capital Projects	\$ 39,600,000	\$ 39,600,000	\$ 10,635,555	\$ 21,817,747	\$ 32,453,302	\$ 7,146,698	\$ 32,010	\$ 0	\$ 654,520	\$ (31,766,772)
<b>TOTALS</b>	<u>\$ 39,600,000</u>	<u>\$ 39,600,000</u>	<u>\$ 10,635,555</u>	<u>\$ 21,817,747</u>	<u>\$ 32,453,302</u>	<u>\$ 7,146,698</u>	<u>\$ 32,010</u>	<u>\$ 0</u>	<u>\$ 654,520</u>	<u>\$ (31,766,772)</u>

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



**GREATER JOHNSTOWN SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

**NET INVESTMENT IN CAPITAL ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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<b>CAPITAL ASSETS, NET</b>		\$ 44,669,948
<b>DEDUCT:</b>		
Unspent BAN proceeds	\$ 12,766,162	
Short-term portion of bonds payable	795,000	
Long-term portion of bonds payable	<u>4,975,000</u>	
		<u>18,536,162</u>
<b>NET INVESTMENT IN CAPITAL ASSETS</b>		<u><u>\$ 26,133,786</u></u>

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

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**FEDERAL AWARD PROGRAM INFORMATION**  
**(SINGLE AUDIT)**  
**(UNIFORM GUIDANCE)**  
**JUNE 30, 2018**



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

To the President and the Other Members  
of the Board of Education of the  
Greater Johnstown School District  
Johnstown, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Greater Johnstown School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*WEST & COMPANY CPAs PC*

Gloversville, New York  
October 11, 2018



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

To the President and the Other Members  
of the Board of Education of the  
Greater Johnstown School District  
Johnstown, New York

**Report on Compliance for Each Major Federal Program**

We have audited Greater Johnstown School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Greater Johnstown School District's major federal programs for the year ended June 30, 2018. Greater Johnstown School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Greater Johnstown 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 Regulation* 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 Greater Johnstown School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Greater Johnstown 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, 2018.

## Report on Internal Control Over Compliance

Management of the Greater Johnstown 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 Greater Johnstown School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance 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 Greater Johnstown 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 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.

*WEST & COMPANY CPAs PC*

Gloversville, New York  
October 11, 2018

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Passed Through NYS Education Department:				
Special Education Cluster:				
Special Education - Grants to States	84.027	0032180269	\$ 33,124	\$ 451,858
Special Education - Preschool Grants	84.173	0033180269	7,711	14,953
Total Special Education Cluster			<u>40,835</u>	<u>466,811</u>
Title I - Grants to Local Educational Agencies	84.010	0021170965	0	25,075
Title I - Grants to Local Educational Agencies	84.010	0011182537	0	2,871
Title I - Grants to Local Educational Agencies	84.010	0021180965	0	359,439
Total Title I - Grants to Local Educational Agencies			<u>0</u>	<u>387,385</u>
Improving Teacher Quality State Grants	84.367	0147170965	0	3,465
Improving Teacher Quality State Grants	84.367	0147180965	0	67,441
Total Improving Teacher Quality State Grants			<u>0</u>	<u>70,906</u>
Total U.S. Department of Education			<u>40,835</u>	<u>925,102</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Passed Through NYS Education Department:				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	Not Applicable	0	40,453
Cash Assistance:				
School Breakfast Program	10.553	Not Applicable	0	54,202
National School Lunch Program	10.555	Not Applicable	0	264,571
Total Child Nutrition Cluster			<u>0</u>	<u>359,226</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>359,226</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u><u>\$ 40,835</u></u>	<u><u>\$ 1,284,328</u></u>

See notes to schedule of expenditures of federal awards.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**NOTE 2 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2018, the District had food commodities totaling \$6,228 in inventory.

**NOTE 3 – INDIRECT COST RATE**

The District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – CLUSTERS**

The Special Education Cluster consists of Special Education – Grants to States and Special Education - Preschool Grants. The Child Nutrition Cluster consists of Food Distribution, School Breakfast Program and National School Lunch Program.



**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

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**A. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

1. Type of auditors' report issued: unmodified
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? \_\_\_ Yes X No
  - b. Significant deficiency(ies) identified? \_\_\_ Yes X No
3. Noncompliance material to financial statements noted? \_\_\_ Yes X No

Federal Awards

1. Internal control over major programs:
  - a. Material weakness(es) identified? \_\_\_ Yes X No
  - b. Significant deficiency(ies) identified? \_\_\_ Yes X No
2. Type of auditors' report issued on compliance for major programs: unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? \_\_\_ Yes X No
4. Identification of major programs:

**CFDA Number**

**Name of Federal Program**

10.555  
10.553

National School Lunch Program  
School Breakfast Program

5. Dollar threshold used to distinguish between type A and B programs: \$750,000.
6. Auditee qualified as low-risk auditee? X Yes \_\_\_ No

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**GREATER JOHNSTOWN SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**JUNE 30, 2018**



## **INDEPENDENT AUDITORS' REPORT**

To the President and the Other Members  
of the Board of Education of the  
Greater Johnstown School District  
Johnstown, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Greater Johnstown School District as of June 30, 2018, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Basis for Qualified Opinion**

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

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Greater Johnstown School District as of June 30, 2018, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

### **Basis of Accounting**

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

*WEST & COMPANY CPAs PC*

Gloversville, New York  
October 11, 2018

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS**

**STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS**

**JUNE 30, 2018**

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<b>ASSETS</b>	
Cash	<u>\$ 111,587</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 111,587</u></u>
<b>LIABILITIES AND CLUB BALANCES</b>	
Club balances	<u>\$ 111,587</u>
<b>TOTAL LIABILITIES AND CLUB BALANCES</b>	<u><u>\$ 111,587</u></u>

See independent auditors' report.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS**

**STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Johnstown High School</b>				
Baronet	\$ 1,171	\$ 9,351	\$ 9,482	\$ 1,040
Bugle	165	0	0	165
Class of 2017	3,212	600	2,918	894
Class of 2018	12,074	15,438	23,349	4,163
Class of 2019	10,432	10,262	2,517	18,177
Class of 2020	4,620	4,255	1,984	6,891
Class of 2021	0	9,589	4,478	5,111
Gaming Club	0	580	515	65
Hiking Club	60	0	0	60
Interest on Account	5	13	0	18
International Club	2,949	6,766	8,693	1,022
JHS School Play	8,151	7,976	6,716	9,411
Johnstown Equality Alliance	0	134	0	134
Key Club	138	876	751	263
Marching Band	3,847	3,360	1,349	5,858
Masterminds	411	82	165	328
National Honor Society	2,308	1,302	965	2,645
The Book Club	170	0	0	170
SADD - Post Prom	2,961	5,071	6,837	1,195
Science Club	4,220	461	343	4,338
Student Council	7,329	6,026	8,406	4,949
Winterguard	575	468	1,043	0
<b>Total Johnstown High School</b>	<u>64,798</u>	<u>82,610</u>	<u>80,511</u>	<u>66,897</u>
<b>Knox Junior High School</b>				
Foreign Language Club	626	1,436	1,160	902
Interest	19	0	0	19
Music Club	2,094	11,657	10,709	3,042
Student Council	5,142	8,512	8,675	4,979
Yearbook Club	2,738	2,516	2,446	2,808
<b>Total Knox Junior High School</b>	<u>10,619</u>	<u>24,121</u>	<u>22,990</u>	<u>11,750</u>

See note to financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS**

**STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID – (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Total Johnstown High School and Knox Junior High School</b> (from previous page)	\$ 75,417	\$ 106,731	\$ 103,501	\$ 78,647
<b>Athletic Clubs</b>				
Boys Soccer	56	4,437	4,482	11
Girls Soccer	954	4,792	5,092	654
Volleyball	2,039	2,885	4,134	790
Football	3,482	11,363	9,532	5,313
Cross Country	1,401	8,589	8,789	1,201
Field Hockey	1,041	6,523	6,375	1,189
Golf	506	0	0	506
Cheerleading	457	1,372	1,798	31
Girls Swimming	625	1,343	1,424	544
Girls Tennis	129	0	0	129
Nordic Ski	1,249	943	1,455	737
Alpine Ski	617	0	457	160
Wrestling	332	0	7	325
Girls Basketball	639	3,681	3,087	1,233
Boys Basketball	5,809	8,888	8,457	6,240
Bowling	975	3,090	1,049	3,016
Boys Swimming	16	1,721	1,370	367
Baseball	2,603	6,708	6,271	3,040
Softball	263	2,950	2,792	421
Boys Tennis	321	0	0	321
Boys Lacrosse	1,296	9,766	9,934	1,128
Girls Lacrosse	1,872	20	518	1,374
Track	2,923	10,051	8,764	4,210
<b>Total Athletic Clubs</b>	<u>29,605</u>	<u>89,122</u>	<u>85,787</u>	<u>32,940</u>
<b>TOTALS</b>	<u>\$ 105,022</u>	<u>\$ 195,853</u>	<u>\$ 189,288</u>	<u>\$ 111,587</u>

See note to financial statements.

**GREATER JOHNSTOWN SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Greater Johnstown School District. The related year end cash balances are shown as part of the Trust and Agency Fund with the offset being shown as agency liabilities. The Extraclassroom Activity Funds of the Greater Johnstown School District represent funds of the students of the District. The District's Board exercises general oversight on these funds. The Extraclassroom Activity Funds are independent of the District with respect to the financial transactions and the designation of student management.

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

**NOTE 2 – MANAGEMENT LETTER**

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





October 11, 2018

To the President and the Other Members  
of the Board of Education of the  
Greater Johnstown School District  
Johnstown, New York

Re: Management Letter  
June 30, 2018

In planning and performing our audit of the basic financial statements of the Greater Johnstown School District for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The memorandum that follows summarizes our comments and recommendations regarding those matters. We previously reported on the District's internal control in our report dated October 11, 2018. This report does not affect our report dated October 11, 2018, on the financial statements of the Greater Johnstown School District.

### **Prior-Year Findings**

#### **1) School Lunch Fund Deficit**

**Prior Condition:** The School Lunch Fund continues to operate at a deficit.

**Status:** This condition remains outstanding as of June 30, 2018.

**Recommendation:** The School Lunch Fund should be self-supportive and not require substantial loans or transfers from other funds to operate. It is recommended that management and the Board review this situation and develop a plan to eliminate the existing fund equity deficit and reduce the interfund loan balance.

#### **2) Extraclassroom Activity Funds**

**Prior Condition:** We noted the following items in regards to the District's Extraclassroom Activity Funds:

- a) There were several inactive clubs which should either become active to utilize the funds or the funds should be redistributed at the discretion of the Board of Education.
- b) Through testing of Extraclassroom Activity Funds, we noted several instances where sales tax was not paid or collected.
- c) Through testing of both the Junior High and Athletic Club activities, we noted that profit and loss statements and inventory control forms are not always being performed for fundraisers held.

**Status:** These items have not been corrected as of June 30, 2018.

**Recommendation:** We recommend that the District and all the clubs review the NYS Pamphlet #2 and ensure all Extraclassroom Activity Funds are in compliance with these regulations.

### 3) **Confirming Purchase Orders**

**Prior Condition:** Through testing of disbursements we noted several instances of confirming purchase orders.

**Status:** This condition remains unchanged as of June 30, 2018.

**Recommendation:** We recommend that the District ensure all purchases are made from proper purchase orders, rather than confirming purchase orders.

### 4) **Funding of Reserves**

**Prior Conditions:** As of June 30, 2015 the District had inappropriately funded two reserves as detailed below:

- a) **Tax Reduction Reserve** – Under New York State General Municipal Law Section 6-1 this reserve should be funded from the proceeds of a sale of District real property. The District has not sold any real property to have such proceeds.
- b) **Debt Service Reserve** – Under New York State General Municipal Law Section 6-1 this reserve should be funded from the proceeds of a sale of District property or from the remaining funds upon completion of a capital project. The District has not funded this reserve from the allowed sources of funds.

**Status:** This condition remains unchanged as of June 30, 2018.

**Recommendation:** We recommend that the District transfer these amounts to unassigned fund balance.

### 5) **Fixed Asset Additions**

**Prior Condition:** During our June 30, 2017 audit, we noted that the District did not add the buses purchased during the year to the fixed asset listing.

**Status:** This condition has been corrected as of June 30, 2018.

### 6) **Purchasing Procedures**

**Prior Condition:** During our June 30, 2017 audit, we noted the following during our testing of a sample of 40 disbursements:

- a) Two disbursement paid sales tax.
- b) One disbursement lacked proof of the claims auditor's approval.
- c) One bill was addressed to an employee, not to the District.
- d) One disbursement lacked a purchase order.

**Status:** These conditions have been corrected as of June 30, 2018.

**Current-Year Findings**

**1) General Fund - Unassigned Fund Balance**

**Condition:** The District currently has unassigned fund balance that has exceeded 4% of the subsequent year's General Fund appropriation budget. Real property tax law states that the unassigned fund balance should not exceed 4% of the subsequent year's General Fund appropriation budget.

**Recommendation:** We recommend that the Board of Education take the necessary actions to reduce the District's General Fund unassigned fund balance to statutory limits.

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We appreciate the assistance and courtesies extended to us by your staff during our fieldwork.

Please let us know if you would like to discuss our comments and recommendations.

Very truly yours,

*WEST & COMPANY CPAs PC*

WEST & COMPANY CPAs PC