PRELIMINARY OFFICIAL STATEMENT

RENEWAL ISSUE | **BOND ANTICIPATION NOTES**

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law (1) interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes and is not an "item of tax preference" for purposes of the alternative minimum tax imposed on individuals by the Internal Revenue Code of 1986, as amended (the "Code"), except that the School District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See the caption "TAX MATTERS" herein.

The Notes will NOT be designated as or deemed designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

$17,880,000

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

MONTGOMERY, FULTON AND SCHOHARIE COUNTIES, NEW YORK

GENERAL OBLIGATIONS
CUSIP BASE #: 344550

$17,880,000 Bond Anticipation Notes, 2018 (Renewals)

(the "Notes")

Dated: August 2, 2018 | **Due: June 28, 2019**

The Notes are general obligations of the Fonda-Fultonville Central School District (the "District" or "School District"), Montgomery, Fulton and Schoharie Counties, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "THE NOTES – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes are not subject to redemption prior to maturity. At the option of the Purchaser(s), the Notes will be issued as registered notes, registered in the name of the purchaser or in book-entry-only form. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued in denominations of $5,000 or multiples thereof, as may be determined by such successful bidder(s).

Alternatively, if the Notes are issued as book-entry only notes, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the Purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of $5,000 or integral multiples thereof, as may be determined by such successful bidder(s). If the Notes are issued as registered notes, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Barclay Damon, LLP, Bond Counsel, Albany, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon with the purchaser(s), on or about August 2, 2018.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on July 19, 2018 by no later than 10:45 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

July 11, 2018

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX D - MATERIAL EVENT NOTICES" HEREIN.

Fonda-Fultonville
CENTRAL SCHOOL DISTRICT

MONTGOMERY, FULTON AND SCHOHARIE COUNTIES, NEW YORK

SCHOOL DISTRICT OFFICIALS

2018-2019 BOARD OF EDUCATION

MATT SULLIVAN
President

BONNIE COUTURE
Vice President

DENNIS EGELSTON
FREDERICK HIDDE
MICHELLE ISABELLA
DOMENIC DINATALE
MICHAEL LEWIS
LORI MAVES

* * * * * * * *

ADMINISTRATION

THOMAS CIACCIO
Superintendent

JOSEPH KARAS
School Business Administrator

ANNA WILDER
District Treasurer

FISCAL ADVISORS & MARKETING, INC.
School District Municipal

BARCLAY DAMON LLP
Bond Counsel

No person has been authorized by Fonda-Fultonville Central School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Fonda-Fultonville Central School District.

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PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051
http://www.fiscaladvisors.com

OFFICIAL STATEMENT

of the

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT MONTGOMERY, FULTON AND SCHOHARIE COUNTIES, NEW YORK

Relating To

$17,880,000 Bond Anticipation Notes, 2018 (Renewals)

This Official Statement, which includes the cover page, has been prepared by the Fonda-Fultonville Central School District, Montgomery, Fulton and Schoharie Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of $17,880,000 principal amount of Bond Anticipation Notes, 2018 (Renewals) (the "Notes").

The factors affecting the District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes, as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the principal amount of the Notes and interest thereon, without limitation as to rate or amount. (See "TAX LEVY LIMITATION LAW").

The Notes are dated August 2, 2018 and mature, without option of prior redemption, on June 28, 2019. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in either (i) registered form, payable to the purchaser in denominations of $5,000, or integral multiples thereof, or (ii) at the option of the purchaser(s), registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the securities depository for the Notes. See "Book-Entry-Only System" herein. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are issued pursuant to the Constitution and statutes of the State of New York, including among other things, the Education Law and the Local Finance Law, and a bond resolution adopted by the Board of Education on June 22, 2015 authorizing the issuance of $18,650,000 serial general obligation bonds to finance the cost of reconstruction of various School District buildings, construction of a press box, construction and reconstruction of site work and athletic fields. The total project cost is $19,400,000 and $750,000 of unappropriated fund balance will be used to pay a portion of the cost of the project.

The proceeds of the Notes, along with $250,000 available funds of the District, will partially redeem and renew the $18,130,000 bond anticipation notes maturing August 3, 2018 and issued for the aforementioned purpose.

Nature of the Obligation

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, without limitation as to rate or amount.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law" or "Chapter 97"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in <u>Flushing National Bank v. Municipal Assistance Corporation for the City of New York</u>, 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean. So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the <u>Flushing National Bank</u> (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution, which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the <u>Flushing National Bank</u> (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in <u>Flushing National Bank v. Municipal Assistance Corp.</u>, 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In <u>Quirk v. Municipal Assistance Corp.</u>, 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in <u>Quirk</u>, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com and www.dtc.org**.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District was formed in 1953 and covers portions of the Towns of Amsterdam, Florida, Charleston, Glen, Mohawk, Root and Palatine in Montgomery County, the Town and City of Johnstown in Fulton County and the Towns of Esperance and Carlisle in Schoharie County.

The District is served by New York State Route 5 and is a short distance from New York State Thruway Exit 28. Bus service, air and rail transportation are available in nearby Johnstown-Gloversville.

The District is primarily an agricultural/residential area with residents commuting to such areas as Johnstown, Gloversville, Amsterdam, Schenectady and Albany for employment.

Electricity is provided by National Grid; telephone services are provided by Frontier Telephone of New York, Inc. Water and sewer services are provided to a limited area by the Village of Fonda, while the balance is by private wells and septic systems. Police protection is provided by the Sheriff's Departments in each County, supplemented by a New York State Police substation located just outside the Village of Fultonville. Ambulance and fire protection are provided primarily by volunteer organizations.

The District provides public education for grades K-12. Higher educational opportunities are available locally at the Fulton-Montgomery Community College.

Residents find limited commercial services in the Villages of Fonda and Fultonville, with a wider variety of services in the Cities of Johnstown and Gloversville. Banking services are provided in Fonda by an office of NBT Bank, N.A.

Source: District Officials.

Population

The current estimated population of the District is 8,581. (Source: 2016 U.S. Census Bureau estimate)

Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, are the City, Towns and Counties listed below. The figures set below with respect to such Towns, City, and Counties are included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the City, Towns or the Counties are necessarily representative of the District, or vice versa.

	Per Capita Income			Median Family Income		
	2000	2006-2010	2012-2016	2000	2006-2010	2012-2016
City of:						
Johnstown	$ 17,324	$ 22,424	$ 25,387	$ 39,909	$ 50,153	$ 50,000
Towns of:						
Amsterdam	19,099	25,950	34,209	46,667	63,705	72,188
Charleston	16,818	22,838	32,010	45,221	67,083	69,063
Florida	18,246	24,550	31,326	49,100	66,250	71,071
Glen	17,583	23,784	21,795	46,674	64,250	63,472
Mohawk	17,896	22,843	27,725	43,700	58,056	62,178
Palatine	17,416	19,146	22,700	40,284	52,321	66,080
Root	16,206	23,568	22,128	41,927	53,750	57,918
Carlisle	17,767	24,500	27,018	48,095	69,567	63,565
Esperance	17,574	29,504	26,316	46,940	68,571	69,844
Johnstown	17,910	27,382	28,012	44,167	62,076	67,887
Counties of:						
Montgomery	17,248	22,347	23,885	45,088	53,476	55,051
Fulton	16,844	23,147	25,092	39,801	50,425	57,925
Schoharie	17,778	25,105	25,638	43,118	61,828	63,377
State of:						
New York	23,389	30,948	34,212	51,691	67,405	74,036

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2012-2016 American Community Survey data.

Larger Employers

Some of the major employers located within and surrounding the District are as follows:

Name	Type	Employees
KeyMark/Kasson & Keller	Manufacturer – Storm Windows/Doors	825
Wal-Mart Distribution Center	Distribution	670
Montgomery County	Municipal Government	500
Exel	Manufacturer	322
Fonda-Fultonville Central School District	Education	176

Source: District Officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest areas for which such statistics are available (which includes the District) are the Counties of Montgomery, Fulton, and Schoharie. The information set forth below with respect to the Counties and the State of New York is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the Counties or the State are necessarily representative of the District, or vice versa.

	Annual Average						
	2011	2012	2013	2014	2015	2016	2017
Montgomery County	10.2%	10.4%	9.2%	7.5%	6.7%	5.7%	5.8%
Fulton County	10.6	11.0	9.5	7.7	6.6	5.7	5.8
Schoharie County	9.0	9.2	8.1	6.7	5.8	5.4	5.5
New York State	8.3	8.5	7.7	6.3	5.3	4.8	4.7

	2018 Monthly Figures						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Montgomery County	7.5%	7.8%	7.0%	5.7%	4.9%	N/A	N/A
Fulton County	7.4	7.6	6.9	5.8	4.6	N/A	N/A
Schoharie County	7.7	7.4	6.8	5.6	4.4	N/A	N/A
New York State	5.1	5.1	4.8	4.4	4.8	N/A	N/A

Source: Department of Labor, State of New York. Figures not seasonally adjusted.

Form of School Government

The District is an independent entity governed by an elected Board of Education comprised of seven members. District operations are subject to the provisions of the State Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held on the third Tuesday in May). The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the Board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and such other duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves the Board. The Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social, and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the School Business Administrator.

Investment Policy

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the District; (6) obligations of a New York public corporation which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared, a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven days and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the District must mail a school budget notice to all qualified voters which contains the total budget amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the vote.

After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 ("Chapter 97"), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the "District Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the District Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the District Tax Cap must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the 3rd Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see "TAX LEVY LIMITATION LAW" herein.

Recent Budget Vote Results

The budget for the 2017-18 fiscal year was adopted by the qualified voters on May 16, 2017 by a vote of 358 to 91. The District's adopted budget for the 2016-17 remained within the District Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.9% which was below the District Tax Cap of 2.41%.

The budget for the 2018-19 fiscal year was adopted by the qualified voters on May 15, 2018 by a vote of 264 to 37. The District's adopted budget for the 2018-19 will remain within the District Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for no tax levy increase which is below the District Tax Cap of 4.49%.

The State's 2018-19 Enacted Budget includes a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid will be required to annually report its budgeted support for individual schools within the school district. The report must follow a format, to be developed by the State Division of Budget ("DOB") in consultation with SED. In 2019-20, this requirement will expand to all school districts with at least four schools, regardless of State aid. In 2020-21, the requirement will apply to all school districts in the State. This report will be due to the State by the beginning of the school year, and the State will have 30 days to respond. While DOB or SED will not formally approve a school district's school-based budget, DOB and SED will have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district's State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district will have 30 days to "cure" the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, will be authorized, at his or her discretion, to gather information and submit on behalf of the school district.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2018-2019 fiscal year, approximately 62.14% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (See also "MARKET AND RISK FACTORS").

Potential reductions in Federal aid received by the State.

The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

The State's Enacted 2017-2018 Budget allowed, and the State's Enacted 2018-19 Budget allows, the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by $850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Building aid

A portion of the District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2018-2019 preliminary building aid ratios, the District expects to receive State building aid of approximately 83.3% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

State aid history

State aid to school districts within the State has declined in some recent years before increasing again in more recent years.

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

The 2012-2013 State budget linked additional school aid to compliance with a new teacher evaluation process. A school district would not be eligible for an aid increase in 2012-2013 unless it had its teacher evaluation process reviewed and approved by the New York State Education Department by January 17, 2013. The New York State Education Department approved the District's initial Annual Professional Performance Review Plan (APPR) on January 4, 2013. The most current APPR was approved on June 10, 2016.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of $1.0 billion in State aid for school districts.

School district fiscal year (2014-2015): The 2014-2015 State budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the school aid increase. The 2014-15 State budget restored $602 million of Gap Elimination Adjustment ("GEA") reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The 2014-2015 State budget invested $1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

The Smart Schools Bond Act was proposed as part of the 2014-2015 State budget and was subsequently approved by the voters of the State. The Smart Schools Bond Act authorized the issuance of $2 billion of general obligation bonds to financed improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds thereunder is $1,397,813.

School district fiscal year (2015-2016): The 2015-2016 State budget included a partial reduction in the Gap Elimination Adjustment with $603 million in GEA cuts being restored, and provided an additional $428 million in foundation aid and $268 million in expense base aids which reimbursed school districts for prior year expenses in school construction, transportation, BOCES and special education services.

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the budget also included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District was not a part of the Community Schools Grant Initiative (CSGI).

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called "Deficit Reduction Assessment") as a way to help close the State's then $10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately $10,802,048. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

School district fiscal year (2017-2018): The 2017-18 State Budget increased State aid to education by $1.1 billion, including a $700 million increase in Foundation Aid, bringing the total amount of State aid to education to $25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The 2017-18 State Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The 2017-18 State Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School district fiscal year (2018-2019): The 2018-19 State Budget includes nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately $859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at $26.03 billion statewide, a 3.4% increase over the last year. The 2018-19 State Budget includes an increase of $618 million in Foundation Aid for school districts. Foundation Aid now totals nearly $17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase will be distributed using a one year, off formula methodology. The 2018-19 State Budget guarantees that all school districts receive an increase in Foundation Aid over their 2017-18 levels. $50 million of the Foundation Aid increase will be "set aside" for certain school districts to fund community schools. The 2018-19 State Budget fully funds all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of $240 million was approved for increases in all expense-based aids in 2018-19. The 2018-19 State Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected. See "THE SCHOOL DISTRICT" – Potential reductions in federal aid received by the State" herein.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. New York mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The Campaign for Fiscal Equity decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive $5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a "gap elimination adjustment" as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date.

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights v. State of New York ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent "gross education inadequacies", claims regarding state funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years, budgeted and unaudited figures for the 2017-2018 fiscal year, and budgeted figures for the current fiscal year comprised of State aid.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2012-2013	$ 23,336,060	$ 12,995,289	55.69%
2013-2014	24,189,410	13,648,541	56.42
2014-2015	24,832,802	14,132,883	56.91
2015-2016	25,717,580	14,811,960	59.34
2016-2017	26,927,938	15,808,828	58.71
2017-2018 (Budgeted)	27,922,331	16,861,643	60.39
2017-2018 (Unaudited)	27,922,331	16,959,682	60.74
2018-2019 (Budgeted)	29,327,099	18,171,451	61.96

Source: Audited financial statements for the 2012-2013 fiscal year through and including the 2016-2017 fiscal year and the budgets of the District for the 2017-2018 and 2018-2019 fiscal years. The 2017-2018 unaudited figures are estimates and audited results may vary therefrom. This table is not audited.

District Facilities

Name	Grades	Capacity	Year(s) Built / Alterations
Elementary School	K-4	580	2001, '05, '08
Middle School	5-8	560	1971, '03, '08
High School	9-12	560	1955, '03, '08

Source: District Officials.

Enrollment Trends

School Year	Actual Enrollment	School Year	Projected Enrollment
2013-14	1,419	2018-19	1,445
2014-15	1,379	2019-20	1,445
2015-16	1,350	2020-21	1,445
2016-17	1,452	2021-22	1,445
2017-18	1,387	2022-23	1,445

Source: District Officials.

Employees

The District employs approximately 176 full-time employees and no part-time employees. The number of employees represented by unions, the names of the collective bargaining agents and the contract expiration dates follows:

Employees	Union Representation	Contract Expiration Date
115	Fonda-Fultonville Teachers' Association (NYSUT)	June 30, 2019
52	Fonda-Fultonville Non-Instructional Association (NYSUT)	June 30, 2020
4	Fonda-Fultonville Administrators Association	June 30, 2021

Source: District Officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement 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 benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at $15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6% and contributions at such rates continue so long as such employee continues to accumulate pension credits, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five fiscal years and budgeted figures for the 2018-2019 fiscal year are as follows:

Fiscal Year	ERS	TRS
2013-2014	$ 212,565	$ 1,368,105
2014-2015	239,673	1,139,084
2015-2016	216,016	1,176,249
2016-2017	276,511	1,161,535
2017-2018	213,106	1,136,480
2018-2019 (Budgeted)	314,962	1,135,680

Source: District Officials.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees The District currently does not have early retirement incentive programs for its employees.

Historical Trends and Contribution Rates. Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2014 to 2019) is shown below:

Year	ERS	TRS
2013-14	20.9%	16.25%
2014-15	20.1	17.53
2015-16	18.2	13.26
2016-17	15.5	11.72
2017-18	15.3	9.80
2018-19	14.9	10.63 *

* Estimated. The TRS rate for the 2018-19 fiscal year will be adopted in August 2018.

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The District is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District's employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post Employee Benefits

Healthcare Benefits. It should also be noted that the District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

The District contracted with the Capital Region BOCES to calculate its OPEB in accordance with GASB 45. Based on the most recent actuarial valuation as of July 1, 2016 and financial data as of June 30, 2017, the following tables show the components of the District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status for the fiscal years ending June 30, 2016 and June 30, 2017:

Annual OPEB Cost and Net OPEB Obligation:	***2016***	***2017***
Annual required contribution (ARC)	$ 2,309,515	$ 2,286,466
Interest on net OPEB obligation	557,222	614,978
Adjustment to ARC	(417,410)	(460,675)
Annual OPEB cost (expense)	2,449,327	2,440,769
Contributions made	(1,294,199)	(1,709,299)
Increase in net OPEB obligation	1,155,128	731,470
Net OPEB obligation - beginning of year	11,144,436	12,299,564
Net OPEB obligation - end of year	$ 12,299,564	$ 13,031,034
Percentage of annual OPEB cost contributed	52.8%	70.0%

Funding Status:		
Actuarial Accrued Liability (AAL)	$ 40,524,514	$ 38,667,868
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 40,524,514	$ 38,667,868
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2017	$	2,440,768	70.0%	$	13,031,034
2016		2,449,327	52.8		12,299,564
2015		2,349,383	51.7		11,144,436

Note: The above tables are not audited.

The aforementioned liability and ARC are recognized and will be disclosed in accordance with GASB 45 standards in the District's audited financial statements.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The District has reserved $0 towards its OPEB liability. The District funds this liability on a pay-as-you-go basis.

The District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

In June 2015, the Governmental Accounting Standards Board issued GASB Statement 75 ("GASB 75"), which when implemented will supersede and eliminate GASB 45. GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. GASB 75 is required to be implemented for all municipalities and school districts in the fiscal year beginning after June 2017. Actuarial valuation will be required every two years for GASB 75.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced or enacted if introduced.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the Education Law and the Local Finance Law.

The District is in compliance with the procedure for the publication of the estoppel notice with respect to the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the District is past due.

The fiscal year of the District is July 1 to June 30.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the District.

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2017 and is attached hereto as "APPENDIX – E". Certain financial information of the District can be found attached as Appendices to the Official Statement.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003, the District issues its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

Unaudited Results for Fiscal Year Ending June 30, 2018

The District expects to end the fiscal year ending June 30, 2018 with an unappropriated unreserved fund balance of $1,500,000. Summary unaudited information for the General Fund for the period ending June 30, 2018 is as follows:

Revenues:	$ 28,635,344
Expenditures:	27,492,500
Excess (Deficit) Revenues Over Expenditures:	$ 1,142,844
Total Fund Balance:	$ 1,500,000

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom.

Source: District Officials.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's office released an audit report of the District on September 4, 2015. The purpose of the audit was to examine the District's payroll process for the period July 1, 2013 through January 31, 2015.

Key Findings:

- District management did not properly segregate the Deputy District Treasurer (Deputy) duties or implement adequate compensating controls, such as providing additional oversight.
- The Treasurer did not verify that the reconciliations performed by the Deputy were accurate by tracing them to source records.
- District officials did not review the direct deposit upload document or compare this document with the certified payrolls.

Key Recommendations:

- Segregate the Deputy's payroll duties so that this individual does not control all aspects of payroll transactions.
- Routinely generate and review payroll change reports to promptly identify, investigate and resolve any payroll discrepancies before the payrolls are submitted for certification.
- Review the direct deposit upload document each pay period and forward it to the Superintendent for certification.

The District provided a complete response to the State Comptroller's office on August 6, 2015. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

As of the date of this Official Statement, there are no other State Comptrollers audits of the District that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible Fiscal Stress" or "No Designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "No Designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past three fiscal years of the District are as follows:

Fiscal Year Ending In	Stress Designation	Fiscal Score
2017	No Designation	0.0%
2016	No Designation	0.0%
2015	No Designation	15.0%

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein.

TAX INFORMATION

Taxable Valuations (1)

Fiscal Year Ending June 30:	2014	2015	2016	2017	2018
Taxable Assessed Value	$ 468,764,269	$ 469,135,999	$ 504,168,229	$ 507,190,136	$ 513,467,973
Taxable Full Valuation (2)	568,410,383	569,633,898	586,862,767	588,545,967	601,692,160
Taxable Full Valuation (3)	587,957,963	586,044,956	588,101,024	596,515,761	608,334,796

(1) See "APPENDIX - C & C1" for full computation of Taxable Full Valuation made with the use of regular State Equalization Rates and special State Equalization Ratios.
(2) Full Valuation computed using regular State Equalization Rates.
(3) Full Valuation computed using special State Equalization Rates.

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending June 30:	2014	2015	2016	2017	2018
City of:					
Johnstown	$ 23.67	$ 24.17	$ 17.29 (1)	$ 17.24	$ 17.18
Towns of:					
Amsterdam	172.82	169.18	174.61	183.77	197.94
Florida	33.23	32.54	34.57	34.47	35.06
Charleston	17.28	16.92	17.29	17.24	17.18
Glen	27.65	29.30	30.60	30.85	28.17
Mohawk	17.11	16.92	16.22	15.81	17.18
Root	17.28	16.92	17.29	17.24	17.18
Palatine	29.80	30.21	30.87	33.31	29.62
Esperance	21.78	16.92	17.29	17.24	17.71
Carlisle	21.33	20.76	21.61	21.28	21.75
Johnstown	21.88	21.97	22.89	22.98	24.54

(1) Significant change due to revaluation.

Tax Collection Procedure

School taxes are due by September 7 without penalty. If paid by October 6, no penalty is imposed. There is a 2% penalty if paid by the end of October. There is a 3% penalty if paid by November 3. On November 15, a list of all unpaid taxes is given to the Counties and City for re-levy on County/City tax rolls. The District is reimbursed by the Counties and the City for all unpaid taxes the first week of April in each year, and is thus assured of 100% collection of its annual levy.

Real Property Taxes

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

Tax Levy and Tax Collection Record

Fiscal Year Ending June 30:	2014	2015	2016	2017	2018
Total Tax Levy [1]	$ 9,823,067	$ 9,994,971	$ 10,144,896	$ 10,144,896	$ 10,337,649
Amount Uncollected	895,863	916,566	820,117	839,463	899,751
% Uncollected	9.12%	9.17%	8.08%	8.27%	8.70%

[1] The District receives 100% of its tax levy each year. See "Tax Collection Procedures" herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years, budgeted and unaudited figures for the 2017-2018 fiscal year, and budgeted figures comprised of Real Property Taxes.

Fiscal Year	Total Revenues	Total Real Property Taxes & Tax Items	Percentage of Total Revenues Consisting of Real Property Tax
2012-2013	$ 23,336,060	$ 10,058,403	43.10%
2013-2014	24,189,410	10,343,278	42.76
2014-2015	24,832,802	10,441,808	42.05
2015-2016	25,717,580	10,614,961	41.28
2016-2017	26,927,938	10,586,553	39.31
2017-2018 (Budgeted)	27,922,331	10,337,649	37.02
2017-2018 (Unaudited)	27,922,331	10,337,649	37.02
2018-2019 (Budgeted)	29,327,099	10,337,649	36.64

Source: Audited financial statements for the 2012-2013 fiscal year through and including the 2016-2017 fiscal year and the budgets of the District for the 2017-2018 and 2018-2019 fiscal years. The 2017-2018 unaudited figures are estimates and audited results may vary therefrom. This table is not audited.

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Larger Taxpayers – 2017 Tax Roll for 2017-18

Name	Type	Estimated Full Valuation
Fage USA Dairy Industry Inc.	Manufacturing	$ 29,325,600
National Grid	Utility	9,734,547
New York Central Lines	Railroad	7,022,907
Wal-Mart Distribution Center	Distribution	6,750,000
KeyMark/Kasson & Keller.	Manufacturing	6,624,200
Benjamin Moore & Co.	Manufacturer	3,896,600
Iroquois Gas Transmission	Commercial	3,863,593

Note: The District currently receives approximately $335,000 per year in PILOT payments (Payments in Lieu of Taxes) for an industrial park.

The seven largest taxpayers listed above have a total estimated full valuation of $67,217,447, which represents 11.17% of the tax base of the District.

As of the date of this Official Statement the District currently does not have any pending or outstanding tax certioraris that, if decided adversely to the District would have a material adverse impact on the District's financial condition.

Source: District tax rolls.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of $500,000 are eligible for a "basic" exemption on their primary residence.

The below table lists the basic and enhanced exemption amounts for the municipalities applicable to the District:

City of:	**Enhanced Exemption**	**Basic Exemption**	**Date Certified**
Johnstown	$ 66,800	$ 30,000	4/9/2018
Towns of:			
Amsterdam	$ 5,800	$ 2,600	4/9/2018
Florida	66,800	30,000	4/9/2018
Charleston	66,800	30,000	4/9/2018
Glen	40,750	18,300	4/9/2018
Mohawk	66,800	30,000	4/9/2018
Root	66,800	30,000	4/26/2018
Palatine	38,740	17,400	4/9/2018
Esperance	64,800	29,100	4/9/2018
Carlisle	52,770	23,700	4/9/2018
Johnstown	46,760	21,000	4/9/2018

$1,495,000 of the District's $10,337,649 school tax levy for the 2017-2018 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2018.

Approximately $1,438,231 of the District's $10,337,649 school tax levy for the 2018-2019 fiscal year is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State by January, 2019.

Part A of Chapter 60 of the Laws of 2016 of the State of New York ("Chapter 60") gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Budget includes changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers may also account for those changes in their State income taxes.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (HR. 1, P.L. 115-97), making major changes to the Internal Revenue Code of 1986, as amended (the "Code"), most of which are effective in the 2018 tax year. The new Federal tax law makes extensive changes to Federal personal income taxes, including the deductibility of real property taxes, including real property taxes levied by the School District. The State's 2018-2019 Enacted Budget includes legislation decoupling certain linkages between Federal and local income tax, including increasing the opportunities for charitable contributions, and providing municipalities and school districts, including the School District, with the option to establish local charitable funds that would accept charitable contributions and provide taxpayers with a credit against their property taxes. On May 23, 2018, the U.S. Department of the Treasury and the Internal Revenue Service issued a notice today stating that proposed regulations will be issued addressing the deductibility of state and local tax payments for federal income tax purposes. The notice also informs taxpayers that federal law controls the characterization of the payments for federal income tax purposes regardless of the characterization of the payments under state law. The School District has no plans at this time to establish such a local charitable fund.

Additional Tax Information

Real property located in the District is assessed by the Towns and the City.

Senior Citizens' exemptions are offered to those who qualify.

The total valuation of the District is estimated to be categorized as follows: Residential-78%, and Commercial- 22%.

The estimated total annual property tax bill of a $100,000 market value residential property located in the District is approximately $3,500 including County, Town or City, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of the State of New York of 2011 was signed into law by the Governor ("Chapter 97" or the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers.)

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

Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2020 unless other legislation is extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures" are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and this is an exclusion from the tax levy limitation.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution and the Equal Protection and Due Process clauses and the First Amendment of the United States Constitution. On March 16, 2015 a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016 the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59") included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved "government efficiency plan" which demonstrated three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 ("Chapter 20") introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the "Big 4" cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law.

While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limitation Law.

See "THE SCHOOL DISTRICT – Budgetary Procedures" herein for additional information regarding the District's Tax Levy.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment maybe more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds.

Debt Limit. The District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the School District and subject to certain enumerated deductions and exclusions set forth in the Local Finance Law. The constitutional method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio (special equalization ratio) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

(1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or

(2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations

and an action contesting such validity is commenced within twenty days after the date of such publication or,

(3) Such obligations are authorized in violation of the provisions of the Constitution.

The Board of Education, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Debt Outstanding End of Fiscal Year

Fiscal Years Ending June 30:	2014	2015	2016	2017	2018
Bonds	$ 14,405,000	$ 13,155,000	$ 11,895,000	$ 10,620,000	$ 9,330,000
Bond Anticipation Notes	0	0	7,250,000	13,000,000	18,130,000
Energy Performance Contract [1]	1,528,296	1,118,976	693,376	246,177	0
Total Debt Outstanding	$ 15,933,296	$ 4,273,976	$ 19,838,376	$ 23,866,177	$ 27,460,000

(1) See "Energy Performance Contract" herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of July 11, 2018.

Type of Indebtedness	Maturity		Amount
Bonds	2019-2030		$ 8,160,000
Bond Anticipation Notes			
Capital Project	August 3, 2018		18,130,000 [1]
		Total Indebtedness:	$ 26,290,000

(1) To be partially redeemed and renewed with the proceeds of the Notes and $250,000 available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin shown as of July 11, 2018:

	Computed Using Regular State Equalization Rates	Computed Using Special State Equalization Ratios [1]
Five-year Average Full Valuation of Taxable Real Property.....	$ 583,029,035	$ 593,390,900
Debt Limit 5% thereof	29,151,452	29,669,545
Inclusions:		
Bonds........	$ 8,160,000	$ 8,160,000
Bond Anticipation Notes........	18,130,000	18,130,000
Total Inclusions........	$ 26,290,000	$ 26,290,000
Exclusions:		
Appropriations........	$ 135,000	$ 135,000
Total Exclusions........	$ 135,000	$ 135,000
Total Net Indebtedness [2][3]	$ 26,155,000	$ 26,155,000
Ner Debt-Contracting Margin........	$ 2,996,452	$ 3,514,545
The percent of debt contracting power exhausted is........	89.72%	88.15%

(1) The District's constitutional debt limit has been computed using special equalization ratios established by the State Office of Real Property Services pursuant to Art-12-B of the Real Property Tax Law. Conventional State equalization rates are also established by said Office of Real Property Services, and are used for all other purposes. See "TAX INFORMATION - Taxable Valuations" herein or "APPENDIX – C & C1" attached hereto.

(2) Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the District receives aid on existing bonded debt. The District, as a school district located in a city, may not under Section 121.20 of the Local Finance Law exclude from gross indebtedness estimated State aid for School building purposes. As noted above, the District receives New York State debt service building aid in an amount approximating 83.3% of its outstanding debt. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive.

(3) The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the constitutional debt limit of the District.

Bonded Debt Service

A schedule of bonded debt service may be found in "APPENDIX – B" to this Official Statement.

Cash Flow Borrowings

The District has not recently issued any revenue or tax anticipation notes and has no plans to do so for the foreseeable future.

Energy Performance Contract

During the 2002 and 2003 fiscal years, the District entered into energy performance lease financings ("EPC"). The first EPC was for $1,493,114 at an interest rate of 4.990%. The second EPC lease was for $3,519,760 at an interest rate of 4.450%. The 2003 $1,493,114 EPC was paid in full on December 15, 2017. The 2002 $3,519,760 EPC was paid in full on June 15, 2018.

Capital Project Plans

On November 20, 2014, the voters of the District approved a $19.4 million capital project that includes a roof replacement, new emergency lighting, replacement of an electrical panel, a new turf field and auditorium improvements. The District issued $7,250,000 bond anticipation notes which matured on August 5, 2016, which represented the first phase of the financing. The District renewed the bond anticipation notes, along with issuing $5,750,000 new money as the second borrowing against this authorization. The District issued renewal bond anticipation notes, along with $520,000 available funds of the District to partially redeem and renew the bond anticipation notes maturing August 4, 2017 and provide $5,650,000 new money for the aforementioned project. The entire authorization has been borrowed for this project. The proceeds of the Notes along with $250,000 in available funds of the District will partially redeem and renew the bond anticipation notes maturing on August 3, 2018. Pending market conditions, the District plans to permanently finance this authorization with serial bonds in June 2019.

Other than described above, the District has no other authorized and unissued indebtedness for capital or other purposes, nor are any contemplated.

Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The estimated outstanding indebtedness of such political subdivisions is as follows:

Municipality	Status of Debt as of	Gross Indebtedness (1)	Exclusions (2)	Net Indebtedness	District Share	Net Overlapping Indebtedness
Counties of:						
Montgomery	12/31/2016	$ 33,168,031	$ -	$ 33,168,031	21.82%	$ 7,237,264
Fulton	12/31/2016	1,339,189	1,339,189	-	2.96%	-
Schoharie	12/31/2016	36,955,000	-	36,955,000	0.07%	25,869
City of:						
Johnstown	12/31/2016	14,825,543	11,020,543	3,805,000	20.63%	784,972
Towns of:						
Amsterdam	12/31/2016	3,990,000	3,440,000	550,000	3.45%	18,975
Florida	12/31/2016	-	-	-	14.27%	-
Charleston	12/31/2016	-	-	-	80.25%	-
Glen	12/31/2016	210,000	5,000	205,000	100.00%	205,000
Mohawk	12/31/2016	-	-	-	99.26%	-
Root	12/31/2016	-	-	-	18.31%	-
Palatine	12/31/2016	-	-	-	0.54%	-
Esperance	12/31/2016	1,220,071	124,500	1,095,571	1.45%	15,886
Carlisle	12/31/2016	-	-	-	0.04%	-
Johnstown	12/31/2016	190,875	190,875	-	0.48%	-
Villages of:						
Fonda	5/31/2017	87,600	72,300	15,300	100.00%	15,300
Fultonville	5/31/2017	-	-	-	100.00%	-
					Total:	$ 8,303,265

(1) Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.

(2) Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2016 and 2017.

Debt Ratios

The following table sets forth certain ratios relating to the District's net indebtedness as of July 11, 2018:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Net Indebtedness [c]	$ 26,155,000	$ 3,048.01	4.35%
Net Indebtedness Plus Net Overlapping Indebtedness [d]	34,458,265	4,015.65	5.73

(a) The current estimated population of the District is 8,581. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for 2017-2018 fiscal year using regular state equalization rates is $601,692,160. (See "TAX INFORMATION – Taxable Valuations" herein or "APPENDIX – C & C1" attached hereto.)

(c) See "Debt Statement Summary" for calculation of Net Indebtedness, herein.

(d) Estimated net overlapping indebtedness is $8,303,265. (See "Estimated Overlapping Indebtedness" herein.)

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes.

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

The Federal Bankruptcy Code allows public bodies, such as the District, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these Local Finance Law provisions do not apply to school districts, there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any Counties, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes such as the Notes.

MARKET AND RISK FACTORS

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State or in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT - State Aid").

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District could have an impact upon the market price of the Notes. See “TAX LEVY LIMITATION LAW” herein.

TAX MATTERS

In the opinion of Barclay Damon, LLP, Albany, New York, Bond Counsel, under existing law, (1) interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an “item of tax preference” for purposes of the individual alternative minimum tax imposed by the Code, except that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to Federal income taxation from the date of issuance thereof, and (2) interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Notes from gross income for Federal income tax purposes is dependent, among other things, on compliance with the applicable requirements of the Code that must be met subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Non-compliance with such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Notes are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The District will covenant in the Tax Certificates as to Arbitrage and Use of Proceeds and Instructions as to Compliance with Provisions of Section 103(a) of the Code, that, to maintain the exclusion of interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the District shall comply with each applicable provision of the Code.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Notes to be subject to backup withholding if such interest is paid to registered owners who either (a) fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner or (b) have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Bond Counsel also has advised that (1) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, the Code provides that such insurance company’s deduction for loss is reduced by 15% of the sum of certain items, including interest on the Notes; (2) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (3) passive investment income, including interest on the Notes, may be subject to Federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (4) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Notes; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Notes, may disqualify the recipient thereof from obtaining the earned income credit.

A Noteholder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Notes. The nature and extent of these other consequences will depend upon the Noteholder's other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Each purchaser of the Notes should consult its tax advisor regarding the impact of the foregoing and other provisions of the Code on its individual tax position.

The Notes will NOT be designated or deemed designated by the District as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinion of Bond Counsel set forth above with respect to the Federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law and could affect the market price for, or the marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding the foregoing matters. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Barclay Damon, LLP, Bond Counsel, Albany, New York to the effect that the Notes are valid and legally binding obligations of the District, that all the taxable real property therein will be subject to the levy of ad valorem taxes to pay the Notes and the interest thereon without limitation as to rate or amount, that interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and that interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof, including The City of New York. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District will covenant to comply with all such requirements. Failure to comply with all such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. Such opinion also will state that: (a) the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity; (b) Bond Counsel expresses no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes; and (c) such opinion is given as of its dated date and that Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstances that may thereafter come to their attention or any changes in law that may occur thereafter.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. The District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the District.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will enter into an Undertaking to Provide Notice of Material Events Certificate, a description of which is attached hereto as "APPENDIX – D".

Historical Compliance

The District is in compliance, in all material respects, within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the District provided, however; the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATING

The Notes are <u>not</u> rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's undertaking to provide Material Event Notices, a description of which is attached hereto as "APPENDIX – D".

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their underlying rating of "A+" with a stable outlook to the District's outstanding bonds. The rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Barclay Damon LLP, Albany, New York, Bond Counsel to the District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including but not limited to, this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

The Official Statement is submitted only in connection with the sale of the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The District's contact information is as follows: Mr. Joseph Karas, School Business Administrator, District Offices, 112 Old Johnstown Road, P.O. Box 1501, Fonda, New York 12068 Phone: (518) 853-4415, Fax: (518) 853-3534, Email: jkaras@ffcsd.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

Dated: July 11, 2018

MATT SULLIVAN
PRESIDENT OF THE BOARD OF EDUCATION AND CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	2013	2014	2015	2016	2017
ASSETS					
Unrestricted Cash	$ 230,987	$ 2,501,382	$ 1,817,087	$ 1,164,094	$ 2,588,398
Restricted Cash	-	-	-	972,342	600,000
Due from Other Funds	4,764,696	6,058,971	1,534,829	4,138,310	1,453,171
Due from Fiduciary Funds	193,436	343,513	225,140	643,812	226,069
Due from State and Federal	1,014,773	451,477	272,405	319,821	332,743
Due from Other Governments	-	947,063	1,009,431	1,088,067	1,137,054
Other Receivables	952,129	135,560	66,301	85,036	57,458
Inventories	-	-	-	-	-
TOTAL ASSETS	$ 7,156,021	$ 10,437,966	$ 4,925,193	$ 8,411,482	$ 6,394,893
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 14,566	$ 237,183	$ 250,905	$ 108,612	$ 114,954
Accrued Liabilities	566,411	118,349	311,350	403,127	243,575
Due to Other Funds	3,711,666	6,426,331	647,134	3,898,408	1,313,812
Due from Fiduciary Funds	1,631	115,876	-	-	-
Due to Other Governments	-	-	-	-	-
Due to Employees' Retirement System	69,176	64,460	59,174	50,521	53,813
Due to Teachers' Retirement System	1,020,147	1,400,768	1,545,513	1,246,805	1,155,977
Deferred Revenues	-	-	-	-	-
TOTAL LIABILITIES	5,383,597	8,362,967	2,814,076	5,707,473	2,882,131
FUND EQUITY					
Reserved	$ 772,342	$ 772,342	$ 772,342	$ 972,342	$ 600,000
Unreserved:					
Appropriated	54,104	4,876	-	198,141	218,835
Unappropriated	945,978	1,297,781	1,338,775	1,533,526	2,693,903
TOTAL FUND EQUITY	1,772,424	2,074,999	2,111,117	2,704,009	3,512,738
TOTAL LIABILITIES & FUND EQUITY	$ 7,156,021	$ 10,437,966	$ 4,925,193	$ 8,411,482	$ 6,394,869

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	2012	2013	2014	2015	2016
REVENUES					
Real Property Taxes	$ 7,674,657	$ 8,043,146	$ 8,365,205	$ 8,555,318	$ 8,678,987
Other Tax Items	2,021,485	2,015,257	1,978,073	1,886,490	1,935,974
Charges for Services	292,539	168,098	196,614	194,159	34,028
Use of Money & Property	2,390	920	929	804	1,158
Sale of Property and					-
Compensation for Loss	263	16,943	48	-	-
Miscellaneous	109,182	76,797	-	8,927	198,752
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	12,810,478	12,995,289	13,648,541	14,132,883	14,811,960
Revenues from Federal Sources	-	19,610	-	54,221	56,721
Medicare Reimbursement	-	-	-	-	-
Total Revenues	$ 22,910,994	$ 23,336,060	$ 24,189,410	$ 24,832,802	$ 25,717,580
Other Sources:					
Appropriated Reserves	$ -	$ -	$ -	$ -	$ -
Interfund Transfers	34,707	-	-	-	-
Total Revenues and Other Sources	22,945,701	23,336,060	24,189,410	24,832,802	25,717,580
EXPENDITURES					
General Support	$ 3,042,550	$ 2,635,097	$ 3,227,110	$ 3,102,354	$ 3,027,825
Instruction	11,599,291	10,606,624	10,748,070	11,377,207	11,865,936
Pupil Transportation	1,908,691	1,779,685	1,862,979	1,826,686	1,991,242
Community Services	20,700	21,617	6,420	22,216	25,961
Employee Benefits	5,848,876	5,797,353	5,730,893	6,252,224	6,091,255
Debt Service	2,031,170	1,997,063	2,085,567	2,143,342	2,114,635
Total Expenditures	$ 24,451,278	$ 22,837,439	$ 23,661,039	$ 24,724,029	$ 25,116,854
Other Uses:					
Interfund Transfers	11,224	24,602	-	33,318	7,834
Total Expenditures and Other Uses	24,462,502	22,862,041	23,661,039	24,757,347	25,124,688
Excess (Deficit) Revenues Over Expenditures	(1,516,801)	474,019	528,371	75,455	592,892
FUND BALANCE					
Fund Balance - Beginning of Year	4,097,351	1,298,405	1,772,424	2,074,999	2,111,117
Prior Period Adjustments (net)	(1,282,145) (1)	-	(225,796)	(39,337)	-
Fund Balance - End of Year	$ 1,298,405	$ 1,772,424	$ 2,074,999	$ 2,111,117	$ 2,704,009

(1) This amount was an overpayment of Excess Cost Aid. The State had determined that there was an overpayment and took the aid back in 2012. The District inquired about spreading the take back over a three year period, however was not afforded that option.

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	2017 Adopted Budget	2017 Modified Budget	2017 Actual	2018 Adopted Budget	2019 Adopted Budget
REVENUES					
Real Property Taxes	$ 10,144,896	$ 10,144,896	$ 8,671,932	$ 10,337,649	$ 10,337,649
Other Tax Items	377,000	377,000	1,914,621	-	-
Charges for Services	154,500	154,500	415,148	-	-
Use of Money & Property	3,500	3,500	1,199	-	-
Sale of Property and Compensation for Loss	-	-	-	-	-
Miscellaneous	20,000	20,000	68,478	723,039	765,000
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	15,754,025	15,754,025	15,808,828	16,861,643	18,224,450
Revenues from Federal Sources	95,000	95,000	47,732	-	-
Medicare Reimbursement	-	-	-	-	-
Total Revenues	$ 26,548,921	$ 26,548,921	$ 26,927,938	$ 27,922,331	$ 29,327,099
Other Sources:					
Appropriated Reserves	$ -	$ -	$ -	$ 195,000	$ -
Interfund Transfers	-	-	-	-	-
Total Revenues and Other Sources	26,548,921	26,548,921	26,927,938	28,117,331	29,327,099
EXPENDITURES					
General Support	$ 3,262,984	$ 3,217,802	$ 2,823,264	$ 3,287,745	$ 3,342,549
Instruction	12,534,228	12,608,292	12,094,139	13,039,625	13,458,701
Pupil Transportation	2,161,245	2,201,871	2,200,001	2,229,973	2,351,776
Community Services	-	28,089	28,089	-	-
Employee Benefits	6,553,111	6,448,778	5,659,144	6,969,469	7,221,842
Debt Service	2,206,360	2,097,276	2,097,276	2,679,068	2,947,231
Total Expenditures	$ 26,717,928	$ 26,602,108	$ 24,901,913	$ 28,205,880	$ 29,322,099
Other Uses:					
Interfund Transfers	5,000	144,954	144,954	5,000	5,000
Total Expenditures and Other Uses	26,722,928	26,747,062	25,046,867	28,210,880	29,327,099
Excess (Deficit) Revenues Over Expenditures	(174,007)	(198,141)	1,881,071	(93,549)	-
FUND BALANCE					
Fund Balance - Beginning of Year	174,007	198,141	2,704,009	93,549	-
Prior Period Adjustments (net)	-	-	(1,072,342)	-	-
Fund Balance - End of Year	$ -	$ -	$ 3,512,738	$ -	$ -

Source: Audited financial report and budgets of the School District. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2019	$ 1,305,000	$ 261,621.90	$ 1,566,621.90
2020	1,320,000	221,100.02	1,541,100.02
2021	860,000	178,609.39	1,038,609.39
2022	730,000	160,281.26	890,281.26
2023	750,000	143,881.26	893,881.26
2024	775,000	125,800.00	900,800.00
2025	655,000	105,812.50	760,812.50
2026	550,000	88,237.50	638,237.50
2027	570,000	73,112.50	643,112.50
2028	585,000	56,012.50	641,012.50
2029	605,000	38,462.50	643,462.50
2030	625,000	20,312.50	645,312.50
TOTALS	$ 9,330,000	$ 1,473,243.83	$ 10,803,243.83

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2010 Elementary School			2010 Refunding of 2001 Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 135,000	$ 11,015.64	$ 146,015.64	$ 490,000	$ 46,312.50	$ 536,312.50
2020	140,000	6,718.76	146,718.76	485,000	23,037.50	508,037.50
2021	145,000	2,265.63	147,265.63	-	-	-
2022	-	-	-	-	-	-
TOTALS	$ 420,000	$ 20,000.03	$ 440,000.03	$ 975,000	$ 69,350.00	$ 1,044,350.00

Fiscal Year Ending June 30th	2013 Capital Project			2013 Refunding of 2004 Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 220,000	$ 45,137.50	$ 265,137.50	$ 460,000	$ 159,156.26	$ 619,156.26
2020	225,000	39,087.50	264,087.50	470,000	152,256.26	622,256.26
2021	235,000	32,900.00	267,900.00	480,000	143,443.76	623,443.76
2022	240,000	26,437.50	266,437.50	490,000	133,843.76	623,843.76
2023	245,000	19,837.50	264,837.50	505,000	124,043.76	629,043.76
2024	255,000	12,487.50	267,487.50	520,000	113,312.50	633,312.50
2025	120,000	4,200.00	124,200.00	535,000	101,612.50	636,612.50
2026	-	-	-	550,000	88,237.50	638,237.50
2027	-	-	-	570,000	73,112.50	643,112.50
2028	-	-	-	585,000	56,012.50	641,012.50
2029	-	-	-	605,000	38,462.50	643,462.50
2030	-	-	-	625,000.00	20,312.50	645,312.50
TOTALS	$ 1,540,000	$ 180,088	$ 1,720,088	$ 6,395,000	$ 1,203,806	$ 7,598,806

COMPUTATION OF FULL VALUATION

Using Regular Equalization Rates

Fiscal Year Ending June 30:		2014	2015	2016		2017	2018
Assessed Valuation							
City of:	Johnstown	$ 59,188,314	$ 60,606,556	$ 93,669,879	[1]	$ 94,212,361	$ 98,212,361
Towns of:	Amsterdam	1,391,627	1,372,326	1,372,703		1,386,754	1,382,640
	Florida	14,388,370	14,338,119	14,484,062		14,565,892	14,649,840
	Charleston	72,462,269	70,878,420	73,655,450		73,931,949	75,200,121
	Glen	88,348,651	88,597,727	87,975,762		88,494,545	89,686,963
	Mohawk	210,702,024	211,571,637	209,906,436		211,689,630	211,002,956
	Root	19,253,135	18,696,238	19,583,986		19,491,860	19,702,715
	Palatine	494,568	466,323	498,569		567,914	564,359
	Esperance	1,012,044	1,047,231	1,440,407		1,351,134	1,580,498
	Carlisle	31,000	31,000	31,027		31,026	31,027
	Johnstown	1,492,267	1,530,422	1,549,948		1,467,071	1,454,493
Total Assessed Valuation		$ 468,764,269	$ 469,135,999	$ 504,168,229		$ 507,190,136	$ 513,467,973
State Equalization Rates							
City of:	Johnstown	73.00%	70.00%	100.00%	[1]	100.00%	100.00%
Towns of:	Amsterdam	10.00%	10.00%	9.90%		9.38%	8.68%
	Florida	52.00%	56.00%	50.00%		50.00%	49.00%
	Charleston	100.00%	100.00%	100.00%		100.00%	100.00%
	Glen	62.50%	64.00%	56.49%		55.87%	61.00%
	Mohawk	101.00%	100.00%	106.57%		109.03%	100.00%
	Root	100.00%	100.00%	100.00%		100.00%	100.00%
	Palatine	58.00%	59.00%	56.00%		51.75%	58.00%
	Esperance	79.36%	76.00%	100.00%		100.00%	97.00%
	Carlisle	81.00%	77.00%	80.00%		81.00%	79.00%
	Johnstown	79.00%	79.00%	75.70%		75.00%	70.00%
Full Valuation							
City of:	Johnstown	$ 81,079,882	$ 86,580,794	$ 93,669,879		$ 94,212,361	$ 98,212,361
Towns of:	Amsterdam	13,916,270	13,723,260	13,865,687		14,784,158	15,929,032
	Florida	27,669,942	25,603,784	28,968,124		29,131,784	29,897,633
	Charleston	72,462,269	70,878,420	73,655,450		73,931,949	75,200,121
	Glen	141,357,842	138,433,948	155,736,877		158,393,673	147,027,808
	Mohawk	208,615,865	211,571,637	196,965,784		194,157,232	211,002,956
	Root	19,253,135	18,696,238	19,583,986		19,491,860	19,702,715
	Palatine	852,703	790,378	890,302		1,097,418	973,033
	Esperance	1,275,257	1,377,936	1,440,407		1,351,134	1,629,379
	Carlisle	38,272	40,260	38,784		38,304	39,275
	Johnstown	1,888,946	1,937,243	2,047,487		1,956,095	2,077,847
Total Full Valuation		$ 568,410,383	$ 569,633,898	$ 586,862,767		$ 588,545,967	$ 601,692,160

[1] Significant change from previous year due to revaluation.

COMPUTATION OF FULL VALUATION

Using Special Equalization Ratios

Fiscal Year Ending June 30:		2014	2015	2016	2017	2018
Assessed Valuation						
City of:	Johnstown	$ 59,188,314	$ 60,606,556	$ 93,669,879 [1]	$ 94,212,361	$ 98,212,361
Towns of:	Amsterdam	1,391,627	1,372,326	1,372,703	1,386,754	1,382,640
	Florida	14,388,370	14,338,119	14,484,062	14,565,892	14,649,840
	Charleston	72,462,269	70,878,420	73,655,450	73,931,949	75,200,121
	Glen	88,348,651	88,597,727	87,975,762	88,494,545	89,686,963
	Mohawk	210,702,024	211,571,637	209,906,436	211,689,630	211,002,956
	Root	19,253,135	18,696,238	19,583,986	19,491,860	19,702,715
	Palatine	494,568	466,323	498,569	567,914	564,359
	Esperance	1,012,044	1,047,231	1,440,407	1,351,134	1,580,498
	Carlisle	31,000	31,000	31,027	31,026	31,027
	Johnstown	1,492,267	1,530,422	1,549,948	1,467,071	1,454,493
Total Assessed Valuation		$ 468,764,269	$ 469,135,999	$ 504,168,229	$ 507,190,136	$ 513,467,973
Special Equalization Ratios						
City of:	Johnstown	60.86%	61.42%	100.85% [1]	99.01%	97.52%
Towns of:	Amsterdam	10.34%	9.54%	8.85%	8.79%	8.73%
	Florida	49.64%	49.66%	48.73%	48.06%	47.31%
	Charleston	98.58%	98.84%	100.02%	99.03%	98.43%
	Glen	56.41%	55.92%	61.13%	60.60%	60.02%
	Mohawk	108.38%	110.76%	100.79%	100.63%	100.39%
	Root	98.55%	98.80%	99.99%	98.93%	98.25%
	Palatine	55.10%	50.71%	57.61%	56.52%	55.89%
	Esperance	78.41%	101.03%	98.04%	97.38%	97.16%
	Carlisle	80.10%	81.07%	78.97%	79.14%	79.23%
	Johnstown	76.06%	75.42%	70.16%	70.13%	69.90%
Full Valuation						
City of:	Johnstown	$ 97,253,227	$ 98,675,604	$ 92,880,396	$ 95,154,389	$ 100,709,968
Towns of:	Amsterdam	13,458,675	14,384,969	15,510,768	15,776,496	15,837,801
	Florida	28,985,435	28,872,571	29,723,090	30,307,724	30,965,631
	Charleston	73,506,055	71,710,259	73,640,722	74,656,113	76,399,595
	Glen	156,618,775	158,436,565	143,915,855	146,030,602	149,428,462
	Mohawk	194,410,430	191,018,090	208,261,173	210,364,335	210,183,241
	Root	19,536,413	18,923,318	19,585,945	19,702,679	20,053,654
	Palatine	897,583	919,588	865,421	1,004,802	1,009,767
	Esperance	1,290,708	1,036,554	1,469,203	1,387,486	1,626,696
	Carlisle	38,702	38,239	39,290	39,204	39,161
	Johnstown	1,961,960	2,029,199	2,209,162	2,091,931	2,080,820
Total Full Valuation		$ 587,957,963	$ 586,044,956	$ 588,101,024	$ 596,515,761	$ 608,334,796

[1] Significant change from previous year due to revaluation.

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Commission pursuant to the Securities Exchange Act of 1934, the District will agree to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

(c) unscheduled draws on debt service reserves reflecting financial difficulties

(d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties

(e) substitution of credit or liquidity providers, or their failure to perform

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes

(g) modifications to rights of Note holders, if material

(h) note calls, if material and tender offers

(i) defeasances

(j) release, substitution, or sale of property securing repayment of the Note

(k) rating changes

(l) bankruptcy, insolvency, receivership or similar event of the District

(m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the District determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The District reserves the right to terminate its obligation to provide the aforedescribed notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the District’s obligations under its material event notices undertaking and any failure by the District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

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FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT
MONTGOMERY, FULTON AND SCHOHARIE COUNTIES, NEW YORK

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDING

JUNE 30, 2017

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, 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 Fonda-Fultonville Central School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Fonda-Fultonville Central School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress - other post-employment benefits plan and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 45 through 49 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 50 through 52, 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 6, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
October 6, 2017

The following is a narrative overview and analysis of the financial activities of the Fonda-Fultonville Central School District (District) for the fiscal year ended June 30, 2017. This discussion is intended to serve as an introduction to the District's basic financial statements, which immediately follow this section. The basic financial statements have the following components: (1) management's discussion and analysis (MD&A), (2) District-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Voters passed the 2017-2018 $28.2 million budget with an 80% yes and 20% no vote.

- A three phase $19.4 capital project began in the summer of 2015. The project is expected to be completed during the summer of 2018.

- The District has consistently performed cost savings measures and implemented a "reorganization" of staffing to ensure savings in personnel along with creating more efficiency within departments.

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 fund financial statements concentrate on the School District's most significant funds with all other nonmajor funds listed in total in one column.

- 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 explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

The following table summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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 daily operating activities of the School District, such as instruction and special education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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.

- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, 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 School District establishes other funds to control and to manage money for particular purposes (such as the operation of the School Cafeteria) 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 that can readily be 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.

- Fiduciary Funds: 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.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the District-wide and fund financial statements. The notes also present certain required supplementary information.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table A-2 – Condensed Statement of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Percentage Change (Incr.;- Decr.)
Assets			
Current and other assets	$ 9,311,787	$ 13,613,637	-31.6%
Capital assets - net	25,390,131	20,689,095	22.7%
Total Assets	34,701,918	34,302,732	1.2%
Deferred Outflows of Resources			
Pensions	6,454,231	2,182,959	195.7%
Total Deferred Outflows of Resources	6,454,231	2,182,959	195.7%
Liabilities			
Current liabilities	15,413,319	7,888,710	95.4%
Long-term liabilities	26,244,821	27,044,007	-3.0%
Total Liabilities	41,658,140	34,932,717	19.3%
Deferred Inflows of Resources			
Pensions	413,466	2,158,319	-80.8%
Total Deferred Inflows of Resources	413,466	2,158,319	-80.8%
Net Position			
Net investment in capital assets	3,512,717	850,723	312.9%
Restricted	1,421,410	972,342	46.2%
Unrestricted	(5,849,584)	(2,428,410)	-140.9%
Total Net Position (Deficit)	$ (915,457)	$ (605,345)	-51.2%

Changes in Net Position

The School District's 2017 revenue was $28,570,713 (see Table A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 30% and 56%, 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 $28,880,825 for 2017. These expenses are predominantly for the education, supervision and transportation of students (see Table A-5). The School District's administrative, occupancy and business activities accounted for the remainder of the costs.

Net position decreased during the year by $310,112.

Table A-3 – Changes in Net Position from Operating Results

	Fiscal Year 2017	Fiscal Year 2016	Percentage Change (Incr.;- Decr.)
Revenues			
Program revenues:			
Charges for services	$ 577,170	$ 190,137	203.6%
Operating grants and contributions	1,340,824	1,259,086	6.5%
General revenues:			
Property taxes	10,586,553	10,614,961	-0.3%
State formula aid	15,808,828	14,811,960	6.7%
Federal sources	47,732	56,721	-15.8%
Miscellaneous	68,478	290,655	-76.4%
Use of money and property	141,128	2,687	5152.3%
Total Revenues	28,570,713	27,226,207	4.9%
Expenses			
General support	4,322,498	4,454,068	-3.0%
Instruction	20,063,933	18,744,804	7.0%
Transportation	3,368,264	2,929,207	15.0%
Community service	28,089	25,961	8.2%
Debt service	514,948	428,840	20.1%
Cost of sales – Lunch Program	583,093	569,347	2.4%
Total Expenses	28,880,825	27,152,227	6.4%
Increase (Decrease) In Net Position from Operations	$ (310,112)	$ 73,980	-519.2%

TABLE A-4 – REVENUES

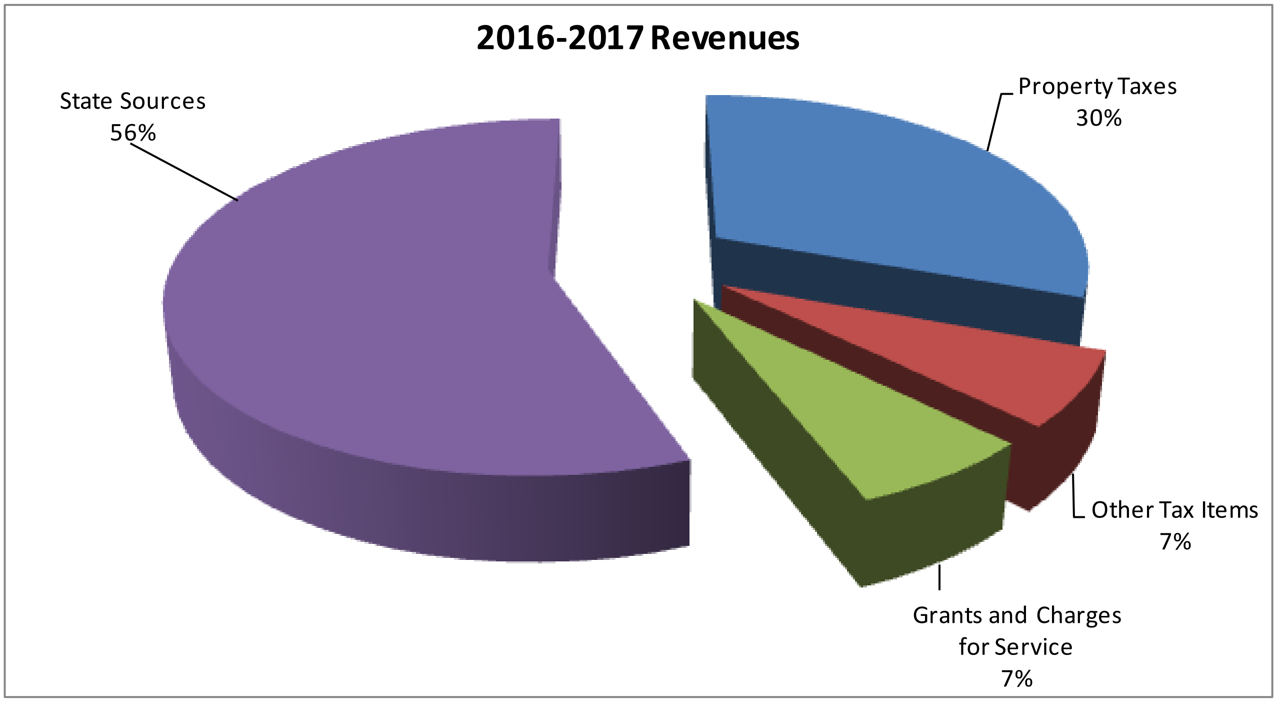
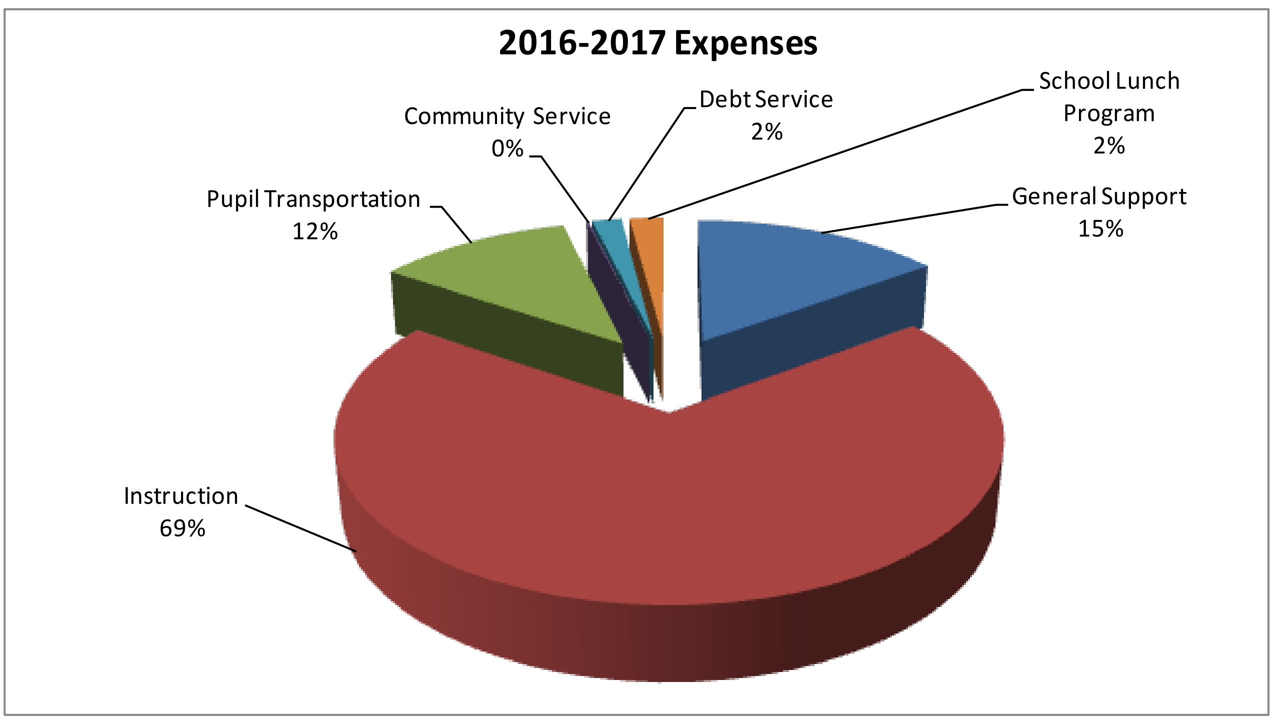


TABLE A-5 – EXPENDITURES



Governmental Activities

Revenue for the School District's governmental activities totaled $28,570,713 while total expenses were $28,880,825. Accordingly, net position decreased by $310,112 including the other change in net position.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016	(Incr.; -Decr.)	2017	2016	(Incr.; -Decr.)
General support	$ 4,322,498	$ 4,454,068	-3.0%	$ 4,322,498	$ 4,454,068	-3.0%
Instruction	20,063,933	18,744,804	7.0%	18,627,975	17,765,306	4.9%
Pupil transportation	3,368,264	2,929,207	15.0%	3,368,264	2,929,207	15.0%
Community service	28,089	25,961	8.2%	28,089	25,961	8.2%
Debt service - interest	514,948	428,840	20.1%	514,948	428,840	20.1%
Cost of sales - lunch program	583,093	569,347	2.4%	101,057	99,622	1.4%
Totals	$ 28,880,825	$ 27,152,227		$ 26,962,831	$ 25,703,004	

- The cost of all governmental activities for the year was $28,880,825.
- The users of the School District's programs financed $577,170 of the costs.
- The federal and state government grants financed $1,340,824.
- The majority of costs were financed by the School District's taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

No other variances are reflected in the governmental fund financial statements for 2017.

General Fund Budgetary Highlights

The General Fund is the only fund for which a budget is legally adopted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets includes land, buildings, equipment and infrastructure, including things such as parking lots and curbing.

Table A-7

Capital Assets - Balances Net of Accumulated Depreciation

	Governmental Activities and Total School District 2017	Governmental Activities and Total School District 2016	Percentage Change (Incr.; -Decr.)
Land	$ 81,242	$ 81,242	0.0%
Buildings	11,178,591	14,093,085	-20.7%
Construction in progress	13,286,582	5,488,623	142.1%
Furniture and equipment	843,716	1,026,145	-17.8%
Totals	$ 25,390,131	$ 20,689,095	22.7%

Debt Administration

The long-term debt outstanding at June 30, 2017, totaled $23,923,467. During the fiscal year, the District paid $1,722,198 in principal.

Table A-8

Outstanding Long-Term Debt

	Total School District 2017	Total School District 2016	Percentage Change (Incr.; -Decr.)
General obligation bonds (financed with property taxes)	$ 10,866,174	$ 12,588,372	-13.7%
Other debt	13,057,293	12,325,823	5.9%
Totals	$ 23,923,467	$ 24,914,195	-4.0%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Fonda-Fultonville Central School District recognizes the cultural importance of maintaining a healthy fund balance in consideration of the following:
    - The District is also susceptible to the increasing costs of providing adequate healthcare to its employees, both active and inactive. Continued governance is done to ensure that costs are within the budgeted amount. As with many other expenses within the General Fund Budget, healthcare expenses can surge after the final approval of the General Fund Budget, therefore creating fiscal problems throughout the budget year.

- The combination of increasing mandates associated with the instruction of Special Education Students and the continued reduction of federal funding has added financial pressure to the General Fund Budget. This financial pressure has been an ongoing issue with the District and will continue to put a strain on the General Fund Budget along with the needs of the students. The District, as with all other public school districts within New York State, face increasing expenses due to mandates set by both the State and Federal Governments. These mandates are usually unfunded and are not included in the foundation aid calculation for Districts.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide the Fonda-Fultonville Central 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, contact:

Fonda-Fultonville Central School District
Business Office
112 Old Johnstown Road, PO Box 1501
Fonda, NY 12068-1501
518-853-3732

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS		
Cash		
Unrestricted	$	5,325,466
Restricted		1,897,939
Receivables		
State and Federal aid		733,622
Due from fiduciary funds		157,578
Due from other governments		1,137,054
Other receivables		57,458
Inventories		2,670
Capital assets, net of depreciation		25,390,131
Total Assets		34,701,918
DEFERRED OUTFLOWS OF RESOURCES		
Pensions		6,454,231
Total Deferred Outflows of Resources		6,454,231
LIABILITIES		
Payables		
Accounts payable		2,123,185
Accrued liabilities		243,575
Accrued interest payable		46,559
Bond anticipation notes payable		13,000,000
Long-term liabilities		
Due and payable within one year		
Due to Teachers' Retirement System		1,155,977
Due to Employees' Retirement System		53,813
Bonds payable		1,290,000
Installment purchase debt		246,174
Due and payable after one year		
Bonds payable		9,330,000
Other post-employment benefits		13,031,034
Net pension liability - proportionate share		1,111,564
Compensated absences payable		26,259
Total Liabilities		41,658,140
DEFERRED INFLOWS OF RESOURCES		
Pensions		413,466
Total Deferred Inflows of Resources		413,466
NET POSITION		
Net investment in capital assets		3,512,717
Restricted		
Reserve for employee benefit liability		300,000
Capital reserve		100,000
Tax certiorari reserve		200,000
Debt service		821,410
Unrestricted		(5,849,584)
Total Net Position (Deficit)	$	(915,457)

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 4,322,498	$ 0	$ 0	$ (4,322,498)
Instruction	20,063,933	(415,148)	(1,020,810)	(18,627,975)
Pupil transportation	3,368,264	0	0	(3,368,264)
Debt service	514,948	0	0	(514,948)
Community service	28,089	0	0	(28,089)
School lunch program	583,093	(162,022)	(320,014)	(101,057)
Total Functions and Programs	$ 28,880,825	$ (577,170)	$ (1,340,824)	(26,962,831)
GENERAL REVENUES				
Real property taxes				8,671,932
Other tax items				1,914,621
Use of money and property				141,128
Miscellaneous				68,478
State sources				15,808,828
Federal sources				47,732
Total General Revenues				26,652,719
CHANGE IN NET POSITION				(310,112)
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR				(605,345)
TOTAL NET POSITION (DEFICIT) - END OF YEAR				$ (915,457)

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 2,588,398	$ 43,746	$ 26,638	$ 0	$ 2,666,684	$ 5,325,466
Restricted	600,000	0	0	547,939	750,000	1,897,939
Due from other funds	1,453,171	163,455	0	418,471	876,886	2,911,983
Due from fiduciary funds	226,069	0	0	0	0	226,069
State and Federal aid	332,743	378,858	22,021	0	0	733,622
Due from other governments	1,137,054	0	0	0	0	1,137,054
Other receivables	57,458	0	0	0	0	57,458
Inventories	0	0	2,670	0	0	2,670
TOTAL ASSETS	$ 6,394,893	$ 586,059	$ 51,329	$ 966,410	$ 4,293,570	$ 12,292,261
LIABILITIES						
Accounts payable	$ 114,954	$ 0	$ 32,889	$ 0	$ 1,975,342	$ 2,123,185
Accrued liabilities	243,575	0	0	0	0	243,575
Due to other funds	1,313,812	517,592	0	145,000	935,579	2,911,983
Due to fiduciary funds	24	68,467	0	0	0	68,491
Bond anticipation notes payable	0	0	0	0	13,000,000	13,000,000
Due to Employees' Retirement System	53,813	0	0	0	0	53,813
Due to Teachers' Retirement System	1,155,977	0	0	0	0	1,155,977
Total Liabilities	2,882,155	586,059	32,889	145,000	15,910,921	19,557,024
FUND BALANCE						
Nonspendable - Inventory	0	0	2,670	0	0	2,670
Restricted						
Reserve for tax certiorari	200,000	0	0	0	0	200,000
Reserve for employee benefit liability	300,000	0	0	0	0	300,000
Reserve for debt service	0	0	0	821,410	0	821,410
Capital reserve	100,000	0	0	0	0	100,000
Assigned	218,835	0	15,770	0	0	234,605
Unassigned	2,693,903	0	0	0	(11,617,351)	(8,923,448)
Total Fund Balance	3,512,738	0	18,440	821,410	(11,617,351)	(7,264,763)
TOTAL LIABILITIES AND FUND BALANCE	$ 6,394,893	$ 586,059	$ 51,329	$ 966,410	$ 4,293,570	$ 12,292,261

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

Total fund balance - governmental funds balance sheet (page 14)	$	(7,264,763)
Add:		
Land, building and equipment, net of accumulated depreciation		25,390,131
Pensions		6,454,231
Total		31,844,362
Deduct:		
Accrued interest payable		46,559
Compensated absences		26,259
Other post-employment benefits		13,031,034
Installment purchase debt		246,174
Net pension liability - proportionate share		1,111,564
Pensions		413,466
Long and short-term bonds payable		10,620,000
Total		25,495,056
NET POSITION (DEFICIT), GOVERNMENTAL ACTIVITIES	$	(915,457)

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital	Total Governmental Funds
REVENUES						
Real property taxes	$ 8,671,932	$ 0	$ 0	$ 0	$ 0	$ 8,671,932
Other tax items	1,914,621	0	0	0	0	1,914,621
Charges for services	415,148	0	0	0	0	415,148
Use of money and property	1,199	0	8	138,970	951	141,128
Miscellaneous	68,478	0	0	0	0	68,478
State sources	15,808,828	292,981	10,791	0	0	16,112,600
Federal sources	47,732	727,829	270,751	0	0	1,046,312
Surplus food	0	0	38,472	0	0	38,472
Sales - school lunch	0	0	162,022	0	0	162,022
Total Revenues	26,927,938	1,020,810	482,044	138,970	951	28,570,713
EXPENDITURES						
General support	2,823,264	0	0	0	0	2,823,264
Instruction	12,094,139	1,010,734	0	0	0	13,104,873
Pupil transportation	2,200,001	0	0	0	0	2,200,001
Community service	28,089	0	0	0	0	28,089
Employee benefits	5,659,144	94,932	0	0	0	5,754,076
Debt service						
Principal	1,722,198	0	0	0	0	1,722,198
Interest	375,078	0	0	145,000	0	520,078
Cost of sales	0	0	483,615	0	0	483,615
Capital outlay	0	0	0	0	7,797,959	7,797,959
Total Expenditures	24,901,913	1,105,666	483,615	145,000	7,797,959	34,434,153
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,026,025	(84,856)	(1,571)	(6,030)	(7,797,008)	(5,863,440)
OTHER FINANCING SOURCES AND USES						
Operating transfers (out)	(144,954)	84,856	5,000	55,098	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES	1,881,071	0	3,429	49,068	(7,797,008)	(5,863,440)
FUND BALANCE - BEGINNING OF YEAR	2,704,009	0	15,011	0	(4,120,343)	(1,401,323)
OTHER CHANGE IN FUND BALANCE	(1,072,342)	0	0	772,342	300,000	0
FUND BALANCE - END OF YEAR	$ 3,512,738	$ 0	$ 18,440	$ 821,410	$ (11,617,351)	$ (7,264,763)

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL 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, 2017

REVENUES - STATEMENT OF ACTIVITIES		$ 28,570,713
EXPENDITURES	$ 34,434,153	
Add:		
Depreciation	785,296	
Pensions	143,566	
Increase in other post-employment benefits	731,470	
	1,660,332	
Deduct:		
Decrease in accrued interest payable	5,130	
Change in fixed assets	5,486,332	
Principal payments of long-term debt	1,722,198	
	7,213,660	
EXPENDITURES - STATEMENT OF ACTIVITIES		28,880,825
CHANGE IN NET POSITION		$ (310,112)

See notes to basic financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Private Purpose Trust	Agency
ASSETS		
Cash	$ 72,628	$ 312,284
Due from governmental funds	0	68,491
Total Assets	$ 72,628	$ 380,775
LIABILITIES		
Due to governmental funds	$ 0	$ 226,069
Extraclassroom activity balances	0	67,484
Other liabilities	25	87,222
Total Liabilities	25	$ 380,775
NET POSITION		
Reserved for scholarships	$ 72,603	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS	
Gifts and contributions	$ 27,943
Total Additions	27,943
DEDUCTIONS	
Scholarships and awards	18,075
CHANGE IN NET POSITION	9,868
NET POSITION - BEGINNING OF YEAR	62,735
NET POSITION - END OF YEAR	$ 72,603

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Fonda-Fultonville Central 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 seven 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 which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

B. Joint Venture – (Continued)

BOCES are organized under Section 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 Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 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, Section 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 $3,259,167 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 $1,137,054.

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.

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.

2. Funds Statements

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

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

C. Basis of Presentation – (Continued)

2. Funds Statements – (Continued)

The District reports the following major governmental funds:

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

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.

Debt Service Fund – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

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 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.

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, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The 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.

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

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 expenditures and revenues to provide financing or other services.

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

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 7 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.

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 which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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 amounts 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$ 5,000	Straight-line	15 – 40
Equipment and furniture	5,000	Straight-line	5 – 20

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. There are two items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability and difference during the measurement period between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contribution to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District’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 District reports only one deferred outflow item (pensions) and one deferred inflow item (pensions).

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

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

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
District's proportionate share of the net pension asset (liability)	$ (486,446)	$ (625,118)
District's portion of the Plan's total net pension asset (liability)	0.5177000%	0.058365%
Change in proportion since the prior measurement date	(0.00097)%	0.001744%

For the year ended June 30, 2017, the District's recognized pension expense of $200,637 for ERS and $1,071,587 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 12,190	$ 0	$ 73,870	$ 203,073
Changes of assumptions	166,188	3,561,070	0	0
Net difference between projected and actual earnings on pension plan investments	97,163	1,405,594	0	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	2,236	25,592	110,931
District's contributions subsequent to the measurement date	53,813	1,155,977	0	0
Total	$ 329,354	$ 6,124,877	$ 99,462	$ 314,004

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, 2018. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS	TRS
2018	$ 82,197	$ 417,420
2019	82,197	417,420
2020	78,400	1,509,043
2021	(66,715)	1,169,407
2022	0	526,924
Thereafter	0	614,682

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:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary scale	3.8%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 Systems experience	July 1, 2009 - June 30, 2014 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, 2016 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, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Asset type		
Domestic equity	4.55%	6.10%
International equity	6.35	7.30
Real estate	5.80	5.40
Domestic fixed income securities	0	1.00
Global fixed income securities	0	0.80
Mortgages	0	3.10
Short-term	0	0.10
Private equity/alternative investments	7.75	9.20
Absolute return strategies	4.00	0
Opportunistic portfolio	5.89	0
Real assets	5.54	0
Bonds and mortgages	1.31	0
Cash	(0.25)	0
Inflation index bonds	1.50	0

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was 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 7.5% 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 6.5% for TRS) or 1 percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

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)

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension asset (liability)	$ (1,553,611)	$ (486,446)	$ 415,841

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension asset (liability)	$ (8,156,084)	$ (625,118)	$ 5,691,462

Pension Plan Fiduciary Net Position

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

	(Dollars in thousands)		
	ERS	TRS	Total
Measurement date	March 31, 2017	June 30, 2016	
Employers' total pension asset (liability)	$(177,400,586)	$(108,577,184)	$(285,977,770)
Plan fiduciary net position asset (liability)	168,004,363	107,506,142	275,510,505
Employers' net pension asset (liability)	(9,396,223)	(1,071,042)	(10,467,265)
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	94.7%	99.0%	96.3%

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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $53,813.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November, 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amount to $1,155,977.

Additional pension information can be found in Note 8.

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. The District had no unearned revenue at June 30, 2017.

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 funds 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. Healthcare 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.

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. Equity Classifications

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.

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

S. Equity Classifications – (Continued)

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 classification of fund balance:

1. Nonspendable Fund Balance

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of $2,670.

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 School District has established the following restricted fund balances:

Currently Utilized by the District:

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations 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.

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

S. 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.

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. The reserve is accounted for in the General Fund under Restricted Fund Balance.

Capital Reserve

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.

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.

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

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

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, 2017.

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.

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

Order of Use of Fund Balance

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

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

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:

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

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

U. Future Changes in Accounting Standards

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

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

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The 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.

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

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

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

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities – (Continued)

i) Long-Term Revenue Differences

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

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

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

iv) Pension Differences

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

NOTE 3 – 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) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (CONTINUED)

Budgets – (Continued)

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

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.

Excess Fund Balance – Real Property Tax Limit

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

Deficit Fund Balance

The Capital Fund had a deficit fund balance of $11,617,351 at June 30, 2017. This deficit will be eliminated when the District obtains permanent financing for the project.

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	7,904,986

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 $1,897,939 within the governmental funds and $384,912 in fiduciary funds.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 81,242	$ 0	$ 0	$ 81,242
Construction in process	5,488,623	7,797,959	0	13,286,582
Total nondepreciable historical cost	5,569,865	7,797,959	0	13,367,824
Capital assets that are depreciated:				
Buildings	39,825,571	0	(5,503,874)	34,321,697
Furniture and equipment	4,088,859	0	0	4,088,859
Total depreciable historical cost	43,914,430	0	(5,503,874)	38,410,556
Less accumulated depreciation:				
Buildings	25,732,486	602,867	(3,192,247)	23,143,106
Furniture and equipment	3,062,714	182,429	0	3,245,143
Total accumulated depreciation	28,795,200	785,296	(3,192,247)	26,388,249
Net depreciable historical cost	15,119,230	(785,296)	(2,311,627)	12,022,307
Total historical cost, net	$ 20,689,095	$ 7,012,663	$ (2,311,627)	$ 25,390,131

Depreciation was allocated to the following programs as follows:

General support	$ 119,124
Instruction	552,941
Pupil transportation	92,826
School lunch program	20,405
Total	$ 785,296

NOTE 6 – SHORT AND LONG-TERM DEBT

Short-Term Debt

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

	Beginning Balance	Issued	Redeemed	Ending Balance
BAN 8/5/2015 2.00%	$ 7,250,000	$ 0	$ 7,250,000	$ 0
BAN 8/4/2016 2.00%	0	13,000,000	0	13,000,000
TOTALS	$ 7,250,000	$ 13,000,000	$ 7,250,000	$ 13,000,000

NOTE 6 – SHORT AND LONG-TERM DEBT – (CONTINUED)

Long-Term Debt

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds and notes payable:					
Serial bond	$11,895,000	$ 0	$ 1,275,000	$10,620,000	$1,290,000
Energy performance contract lease financing	693,372	0	447,198	246,174	246,174
Total bonds and notes payable	12,588,372	0	1,722,198	10,866,174	1,536,174
Other liabilities:					
Other post-employment benefits	12,299,564	731,470	0	13,031,034	0
Compensated absences, net	26,259	0	0	26,259	0
Total other liabilities	12,325,823	731,470	0	13,057,293	0
TOTAL LONG-TERM LIABILITIES	$24,914,195	$ 731,470	$ 1,722,198	$23,923,467	$1,536,174

The General Fund has typically been used to liquidate long-term liabilities such as termination incentive and compensated absences.

The current portion (amount due within one year) of other liabilities as of June 30, 2017, was not determinable.

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Construction	2010	2020	3.860%	$ 1,465,000
Renovations	2014	2025	2.500%	1,755,000
Reconstruction of Elementary School	2010	2021	3.094%	555,000
Land Acquisition and Construction	2013	2030	2.634%	6,845,000
Energy Performance Lease Financing	2003	2017	4.990%	71,174
Energy Performance Lease Financing	2002	2018	4.450%	175,000
Totals				$ 10,866,174

NOTE 6 – SHORT AND LONG-TERM DEBT – (CONTINUED)

	Principal	Interest	Total
Fiscal year ended June 30,			
2018	$ 1,536,174	$ 310,448	$ 1,846,622
2019	1,305,000	261,622	1,566,622
2020	1,320,000	221,100	1,541,100
2021	860,000	178,609	1,038,609
2022	730,000	160,281	890,281
Thereafter	5,115,000	651,634	5,766,634
Totals	$10,866,174	$ 1,783,694	$12,649,868

Interest on Debt

Interest on debt for the year was composed of:	
Interest paid	$ 520,078
Less interest accrued in the prior year	51,689
Plus interest accrued in the current year	46,559
Total expense	$ 514,948

NOTE 7 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General Fund	$ 1,679,240	$ 1,313,836	$ 0	$ 144,954
Special Aid Fund	163,455	586,059	84,856	0
School Lunch Fund	0	0	5,000	0
Debt Service Fund	418,471	145,000	55,098	0
Capital Fund	876,886	935,579	0	0
Total Governmental Activities	3,138,052	2,980,474	144,954	144,954
Fiduciary Agency Fund	68,491	226,069	0	0
TOTALS	$ 3,206,543	$ 3,206,543	$ 144,954	$ 144,954

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 8 – 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.

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.

Employees' Retirement System (ERS)

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

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

NOTE 8 – 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:

	NYTRS	NYSERS
2016-2017	$1,071,587	$ 200,637
2015-2016	1,173,449	207,364
2014-2015	1,506,107	234,387

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.

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

The District provides post-employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, in the school year ended June 30, 2010. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the District recognized $1,709,299 as its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2016, which indicates that the total liability for other post-employment benefits is $13,031,034, which is reflected in the Statement of Net Position.

Plan Description

Fonda-Fultonville Central School District provides medical and prescription drug insurance benefits for retirees, spouses and their covered dependents while contributing a portion of the expenses. Such post-employment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during post-employment. Nevertheless, both types of benefits constitute compensation for employee services.

The District issues a publicly available financial report that includes financial statements and required supplementary information.

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Funding Policy

The contribution requirements of plan members and the District are established by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements.

For the fiscal year ended June 30, 2017, the District contributed $1,786,212 to employee health insurance costs.

Annual Other Post-employment Benefit (OPEB) Cost and Net OPEB Obligation

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

Annual required contribution	$ 2,286,466
Interest on net OPEB obligation	614,978
Adjustment to annual required contribution	(460,675)
Annual OPEB cost (expense)	2,440,769
Contributions made	(1,709,299)
Increase in net OPEB obligation	731,470
Net OPEB obligation - beginning of year	12,299,564
Net OPEB obligation - end of year	$ 13,031,034

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/17	$ 2,440,769	70.0%	$ 13,031,034
06/30/16	2,449,327	52.8%	12,299,564
06/30/15	2,349,383	51.7%	11,144,436

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $38,667,868 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $38,667,868. The covered payroll (annual payroll of active employees covered by the plan) was $8,386,634, and the ratio of the UAAL to the covered payroll was 461.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is based on the expected earnings of the District's General Fund investments at the valuation date and an annual healthcare cost trend rate of 5.6%, initially reduced by decrements to an ultimate rate 3.94%. The UAAL is being amortized as a level percentage of projected payroll the projected unit credit cost method. The remaining amortization period at June 30, 2017, was 30 years.

NOTE 10 – RISK MANAGEMENT

General Information

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

Workers' Compensation Pool, Non-risk Retained

For its workers' compensation insurance coverage, the School District is a participant in the Fulmont Workers' Compensation Plan, a public entity risk pool granted under Article 5 of the Workers' Compensation Law.

Health Insurance, Non-pool, Risk Retained

Effective July 1, 1999, the Fonda-Fultonville Central School District established a self-insured plan for risks associated with employees' (including retirees) health insurance, which is accounted for in the School District's General Fund and includes provisions for unexpected and unusual claims. The benefit program administrator, APA Partners, Inc., is responsible for the approval, processing and payment of claims for which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The District has obtained specific excess loss insurance. The specific deductible amount per policy period is $100,000. The maximum limit per policy period per covered person is $900,000.

Liabilities of the Fund/Plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement, trends including frequency and amount of payouts and other economic and social factors. Changes in the balances of claims liabilities during the current and past two fiscal years are as follows:

	June 30, 2017	June 30, 2016	June 30, 2015
Unpaid claims, beginning of fiscal year	$ 321,529	$ 225,714	$ 28,676
Plus: incurred claims (including IBNRs)	1,491,533	1,767,995	1,855,725
Less: claim payments	(1,659,027)	(1,672,180)	(1,658,687)
Unpaid claims, end of fiscal year	$ 154,035	$ 321,529	$ 225,714

NOTE 11 – 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 12 – TAX ABATEMENTS

The County of Montgomery, 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 $414,192. The District received Payment in Lieu of Tax (PILOT) payment totaling $335,863.

NOTE 13 – OTHER CHANGES IN FUND BALANCE

The other changes in fund balance are composed of:

a) transfer of the reserve for debt balance in the general fund to the debt reserve fund.

b) transfer of $300,000 from the general fund unassigned fund balance to cover the cost of an emergency capital project.

NOTE 14 – SUBSEQUENT EVENTS

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Revenues	Final Budget Variance with Budgetary Actual Over (Under)
REVENUES:				
Local Sources				
Real property taxes	$ 10,144,896	$ 10,144,896	$ 8,671,932	$ (1,472,964)
Real property tax items	377,000	377,000	1,914,621	1,537,621
Charges for services	154,500	154,500	415,148	260,648
Use of money and property	3,500	3,500	1,199	(2,301)
Miscellaneous	20,000	20,000	68,478	48,478
Total Local Sources	10,699,896	10,699,896	11,071,378	371,482
State Sources	15,754,025	15,754,025	15,808,828	54,803
Federal Sources	95,000	95,000	47,732	(47,268)
Total Revenues	26,548,921	26,548,921	26,927,938	$ 379,017

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Expenditures	Year End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under
EXPENDITURES					
General Support					
Board of Education	12,088	14,276	13,787	$ 0	$ 489
Central administration	189,814	186,390	183,487	0	2,903
Finance	292,845	293,749	270,443	0	23,306
Staff	127,288	155,625	146,442	0	9,183
Central services	2,135,321	2,029,586	1,742,739	38,901	247,946
Special items	506,443	538,176	466,366	0	71,810
Instructional					
Instruction, administration and improvements	587,907	751,006	733,169	388	17,449
Teaching – regular school	7,755,433	7,665,045	7,423,368	1,564	240,113
Programs for children with handicapping conditions	2,485,195	2,412,945	2,334,870	0	78,075
Occupational education	599,041	580,412	562,900	0	17,512
Teaching - special school	18,980	18,980	13,092	0	5,888
Instructional media	301,235	361,118	275,611	52,613	32,894
Pupil services	785,622	818,786	751,129	31,469	36,188
Pupil Transportation	2,161,245	2,201,871	2,200,001	350	1,520
Community Services	0	28,089	28,089	0	0
Employee Benefits	6,662,195	6,448,778	5,659,144	0	789,634
Debt Service	2,097,276	2,097,276	2,097,276	0	0
Total Expenditures	26,717,928	26,602,108	24,901,913	125,285	1,574,910
Other Financing Uses					
Transfers to other funds	5,000	144,954	144,954	0	0
Total Expenditures and Other Uses	26,722,928	26,747,062	25,046,867	$ 125,285	$ 1,574,910
NET CHANGE IN FUND BALANCE	(174,007)	(198,141)	1,881,071		
FUND BALANCE – BEGINNING	2,704,009	2,704,009	2,704,009		
OTHER CHANGE IN FUND BALANCE	0	0	(1,072,342)		
FUND BALANCE – ENDING	$ 2,530,002	$ 2,505,868	$ 3,512,738		

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS PLAN

FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/16	$ 0	$ 38,667,868	$ 38,667,868	0%	$ 8,386,634	461.1%
07/01/15	0	40,524,514	40,524,514	0%	10,760,170	376.6%
07/01/14	0	39,017,507	39,017,507	0%	10,137,724	384.9%

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NYS Teachers' Retirement System

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.058365%	0.056616%	0.056316%
District's proportionate share of the net pension liability (asset)	$ 625,118	$ (5,880,613)	$ (6,273,218)
District's covered-employee payroll	9,485,148	9,098,183	8,595,372
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.6%	64.6%	73.0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.00%	110.50%	111.48%

NYS Employees' Retirement System	2017	2016	2015
District's proportion of the net pension liability (asset)	0.5177000%	0.5186700%	0.5429500%
District's proportionate share of the net pension liability (asset)	$ 486,446	$ 832,486	$ 183,422
District's covered-employee payroll	1,411,859	1,275,268	1,286,393
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.5%	65.3%	14.3%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NYS Teachers' Retirement System

	2017	2016	2015
Contractually required contribution	$ 1,111,659	$ 1,206,419	$ 1,506,768
Contributions in relation to the contractually required contribution	1,111,659	1,206,419	1,506,768
Contribution deficiency (excess)	$ 0	$ 0	$ 0
District's covered-employee payroll	$ 9,485,148	$ 9,098,183	$ 8,595,372
Contribution as a percentage of covered-employee payroll	11.72%	13.26%	17.53%

NYS Employees' Retirement System	2017	2016	2015
Contractually required contribution	$ 197,873	$ 202,084	$ 234,387
Contributions in relation to the contractually required contribution	197,873	202,084	234,387
Contribution deficiency (excess)	$ 0	$ 0	$ 0
District's covered-employee payroll	$ 1,411,859	$ 1,275,268	$ 1,286,393
Contribution as a percentage of covered-employee payroll	14.02%	15.85%	18.22%

See paragraph on supplementary schedule included in independent auditors’ report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2017

ADOPTED BUDGET	$	26,722,928
ADDITIONS:		
Prior year's encumbrances		24,134
FINAL BUDGET	$	26,747,062

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

FOR THE YEAR ENDED JUNE 30, 2017

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION		
2017-2018 voter-approved expenditure budget	$	28,210,880
Maximum allowed (4% of 2017-2018 budget)		1,128,435
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance		218,835
Unassigned fund balance		2,693,903
Total unrestricted fund balance		2,912,738
Less:		
Appropriated fund balance and encumbrances		218,835
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	$	2,693,903
Actual percentage		9.55%

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

FOR THE YEAR ENDED JUNE 30, 2017

			Expenditures			Unexpended	Methods of Financing			
Project Title	**Original Appropriation**	**Revised Appropriation**	**Prior Year**	**Current Year**	**Total**	**Balance (Deficit)**	**Other Sources**	**Proceeds of Obligations**	**Total**	**Fund Balances**
Elementary reconstruction	$ 2,500,000	$ 2,000,000	$ 3,221,304	$ 0	$ 3,221,304	$(1,221,304)	$ 3,439,120	$ 1,395,000	$ 4,834,120	$ 1,612,816
District-wide Excel renovation project	2,710,000	2,710,000	2,798,112	0	2,798,112	(88,112)	166,889	2,480,000	2,646,889	(151,223)
Capital Imprvt. Projects, 2014-179 to 2014-181 and 2016-135	19,400,000	19,400,000	5,488,623	7,797,959	13,286,582	6,113,418	392,369	0	392,369	(12,894,213)
K-4 Elementary School Stabilization Project	2,147,012	2,147,012	184,803	0	184,803	1,962,209	72	0	72	(184,731)
TOTALS	$ 26,757,012	$ 26,257,012	$11,692,842	$7,797,959	$ 19,490,801	$ 6,766,211	$ 3,998,450	$ 3,875,000	$ 7,873,450	$(11,617,351)

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS, NET		$ 25,390,131
ADD:		
Unspent Bond anticipation note payable proceeds	1,988,760	
DEDUCT:		
Bond anticipation note payable	13,000,000	
Short-term portion of bonds payable	1,290,000	
Long-term portion of bonds payable	9,576,174	
		21,877,414
NET INVESTMENT IN CAPITAL ASSETS		$ 3,512,717

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

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

FEDERAL AWARD PROGRAM INFORMATION
(SINGLE AUDIT)

(UNIFORM GUIDANCE)

JUNE 30, 2017

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
Fonda-Fultonville Central School District
Fonda, New York

Report on Compliance for Each Major Federal Program

We have audited Fonda-Fultonville Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Fonda-Fultonville Central School District's major federal programs for the year ended June 30, 2017. Fonda-Fultonville Central 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 Fonda-Fultonville Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal 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 Fonda-Fultonville Central 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 Fonda-Fultonville Central School District's compliance.

Opinion on Each Major Federal Program

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

97 North Main St., PO Box 1219, Gloversville, NY 12078-0354 ▪ 60 Railroad Place, Suite 302, Saratoga Springs, NY 12866
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Report on Internal Control Over Compliance

Management of the Fonda-Fultonville Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fonda-Fultonville Central 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 Fonda-Fultonville Central School District's internal control over compliance.

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

Our consideration of 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 6, 2017

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
Fonda-Fultonville Central School District
Fonda, New York

Report on Compliance for Each Major Federal Program

We have audited Fonda-Fultonville Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Fonda-Fultonville Central School District's major federal programs for the year ended June 30, 2017. Fonda-Fultonville Central 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 Fonda-Fultonville Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal 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 Fonda-Fultonville Central 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 Fonda-Fultonville Central School District's compliance.

Opinion on Each Major Federal Program

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

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Report on Internal Control Over Compliance

Management of the Fonda-Fultonville Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fonda-Fultonville Central 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 Fonda-Fultonville Central School District's internal control over compliance.

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

Our consideration of 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 6, 2017

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Project Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through NYS Education Department:			
(Pass-through Grantor's No. 270-6010-40000)			
Title I Grants to Local Educational Agencies	84.010	21171430	$ 311,817
Improving Teacher Quality Grants	84.367	147171430	80,819
Special Education Cluster:			
Special Education - Grants to States	84.027	32170398	324,872
Special Education - Preschool Grants	84.173	33170398	10,321
Total Special Education Cluster			335,193
Total U.S. Department of Education			727,829
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through NYS Education Department:			
(Pass-through Grantor's No. 270-6010-40000)			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution) National School Lunch Program	10.555	Not applicable	38,472
Cash Assistance			
School Breakfast Program	10.553	Not applicable	52,125
National School Lunch Program	10.555	Not applicable	218,626
Total Child Nutrition Cluster			309,223
Total U.S. Department of Agriculture			309,223
TOTAL FEDERAL AWARDS			$ 1,037,052

See notes to schedule of expenditures of federal awards.

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.

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 – SUBRECIPIENTS

No amounts were provided to subrecipients.

NOTE 3 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. At June 30, 2017, the District had food commodities totaling $2,670 in inventory.

NOTE 4 – INDIRECT COST RATE

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 the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. There is no other indirect cost allocation plan in effect.

NOTE 5 – 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.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	____ yes	X no
Significant deficiency identified that is not considered to be material weakness?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

FEDERAL AWARDS

Internal control over major programs:		
Material weaknesses identified?	____ yes	X no
Significant deficiency identified that is not considered to be material weakness?	____ yes	X none reported
Type of auditors' opinion(s) issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	____ yes	X no

Identification of major programs:

Name of Federal Program	**CFDA Number**
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173

Dollar threshold used to distinguish between Type A and Type B Programs	$750,000	
Auditee qualified as low risk?	X yes	____ no

B. FINDINGS – BASIC FINANCIAL AUDIT

None.

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

None.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2017

WEST & COMPANY
CPAs PC

INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Fonda-Fultonville Central School District as of June 30, 2017, 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.

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www.westcpapc.com

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 Fonda-Fultonville Central School District as of June 30, 2017, 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 6, 2017

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2017

ASSETS		
Cash	$	67,484
TOTAL ASSETS	$	67,484
LIABILITIES AND CLUB BALANCES		
Club balances	$	67,484
TOTAL LIABILITIES AND CLUB BALANCES	$	67,484

See independent auditors' report.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
Class of 2016	$ 6,285	$ 50	$ 6,335	$ 0
Class of 2017	9,787	12,811	22,598	0
Class of 2018	7,009	45,962	46,411	6,560
Class of 2019	4,082	18,269	12,510	9,841
Class of 2020	0	3,010	303	2,707
Art Club	4	0	0	4
Band	27	2,185	2,189	23
Baseball	522	9,007	7,784	1,745
Boys and Girls Track	750	9,065	879	8,936
Boys Basketball	166	6,588	6,665	89
Boys Soccer	156	2,105	1,084	1,177
Builders Club	326	187	186	327
Cheerleaders	2,973	2,876	4,012	1,837
Choral Fund	945	0	279	666
Drama Club	5,845	1,358	117	7,086
FFA	642	8,667	8,063	1,246
Girls Club (Yellow Roses)	0	1,566	1,510	56
Girls Soccer	1,103	1,190	1,278	1,015
Girls Softball	1,614	0	385	1,229
Grade 5 and 6 Band	1,755	665	1,265	1,155
Key Club	1,673	4,022	5,207	488
Language Club	666	0	0	666
National Honor Society	957	2,969	3,136	790
National Jr. Honor Society	94	6,284	5,779	599
School Store	716	0	0	716
Odyssey of the Mind	234	1,457	1,259	432
Robotics Club	0	3,171	1,115	2,056
Student Council - H.S.	1,527	2,730	2,855	1,402
Student Council - M.S.	1,555	3,106	3,463	1,198
Team Mohawk	233	0	0	233
Team Seneca	113	0	0	113
Team Spirit	94	0	0	94
Team Star	494	0	0	494
Volleyball - Girls	752	850	635	967
Wrestling	690	1,754	0	2,444
Yearbook	4,286	10,379	8,082	6,583
Yearbook - M.S.	1	2,459	0	2,460
Interest	35	15	0	50
TOTALS	$ 58,111	$ 164,757	$ 155,384	$ 67,484

See note to financial statements.

FONDA-FULTONVILLE CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Fonda-Fultonville Central 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 Fonda-Fultonville Central 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 Fonda-Fultonville Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.

NOTE 2 – MANAGEMENT LETTER

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

October 6, 2017

To the President and the Other Members
of the Board of Education of the
Fonda-Fultonville Central School District
Fonda, New York

Re: Management Letter
June 30, 2017

Dear Board Members:

In planning and performing our audit of the basic financial statements of the Fonda-Fultonville Central School District for the year ended June 30, 2017, 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 6, 2017. This report does not affect our report dated October 6, 2017, on the financial statements of Fonda-Fultonville Central School District.

Prior-Year Findings

(1) Journal Entries

Prior Condition: In order to correct balances, we were required to propose several journal entries.

Status: As of June 30, 2017, this condition has shown improvement, however, journal entries were still required after the commencement of the audit and significant assistance is required to balance the Special Aid Fund.

Recommendation: We recommend the Business Office review the accounting records prior to the audit and record entries necessary to adjust balances to correct year end balances.

(2) Due To/Due From

Prior Condition: At the time of audit, the due to/due from accounts were out of balance.

Status: This condition has been corrected as of June 30, 2017.

(3) Trust & Agency Fund Payroll Checking Account

Prior Condition: The payroll checking account balance does not agree with the monthly treasurer's report.

Status: This condition has been corrected as of June 30, 2017.

(4) Extraclassroom Activity Funds

Prior Condition:

1. During testing of disbursements and receipts it was noted that profit and loss summaries were not completed for fundraising activities and we found instances where sales tax was not charged on purchases.

2. Several clubs had no activity in 2015 and 2016.

Status: These conditions remained unchanged as of June 30, 2017.

Recommendation: We recommend that the District review accounting and record keeping procedures with all individuals involved in extraclassroom activities. These procedures can be found in "Safeguarding Accounting and Auditing of Extraclassroom Activity Funds", Finance Pamphlet 2, issued by New York State Education Department.

(5) Trust & Agency Accounts

Prior Condition: The Trust & Agency trial balance contained several accounts with stagnant balances.

Status: This condition has been corrected as of June 30, 2017.

(6) Trial Balances

Prior Condition: The Trust & Agency trial balance was out of balance at June 30, 2015 and 2016.

Status: This condition has been corrected as of June 30, 2017.

(7) Accounts Receivable – Non-resident Tuition

Prior Condition: During testing of accounts receivable, we noted that non-resident student tuition is not being billed and collected in a timely manner, causing balances to remain outstanding from prior years.

Status: The balance in this account was written off as of June 30, 2017.

(8) Unassigned General Fund Balance

Prior Condition: The District's unassigned General Fund balance at June 30, 2016, was in excess of the New York State Real Property Tax Law limit, which restricts this balance to an amount not greater than 4% of the District's appropriation budget for the upcoming year.

Status: This condition remains unchanged as of June 30, 2017.

Recommendation: We recommend that the Board review and modify its plan to reduce the District's unassigned General Fund balance to the statutory limit.

(9) Cash Receipts

Prior Condition: There were four checks dated June 1, 2016 or earlier that were recorded as accounts receivable at June 30, 2016.

Status: This condition has been corrected as of June 30, 2017.

(10) Time Certifications for Federal Grants

Prior Condition:

1. We noted that when employees are filing out their time certifications for federally funded grants they are only attesting to the time spent on federal grants. The District should require that 100% of an employee's time be accounted for on each time certification.

2. We noted that all employees who were paid from federally funded grants during the year, completed time certifications only once during the year.

Status: These conditions have been corrected as of June 30, 2017.

(11) Section 611 and Section 619 Final Expenditure Reports (FS-10-F's)

Prior Condition: The final expenditure reports for these grants were filed with expenditures in excess of the final approved budgets and in excess of the expenditures recorded in the Special Aid Fund.

Status: This condition remains unchanged as of June 30, 2017.

Recommendation: We recommend that the Business Office make sure they are reviewing all pertinent financial records related to grants to ensure only approved expenditures are considered when requesting drawdowns and that final cost reports are correctly completed.

Current-Year Findings

(1) Fixed Assets

Condition: The District's fixed asset report from Industrial Appraisal Service was not updated for additions and deletions for the year ended June 30, 2017.

Recommendation: We recommend that the Business Office establish procedures to ensure that fixed asset additions and deletions are being properly tracked and lists of such additions and deletions are provided to Industrial Appraisal Company in a timely manner to ensure accurate information is available.

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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

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