

ELMIRA CITY SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2017



ELMIRA CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Elmira City School District
Elmira, 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 Elmira City School District (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of a Matter

During the year ended June 30, 2017, the School District adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." Our opinion is not modified with respect to this matter.

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 Schedules, Schedule of Funding Progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes to required supplementary information on pages 4-4j and 51-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 61-63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017 on our consideration of the School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 22, 2017

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the Elmira City School District's (the School District) financial performance for the fiscal year ended June 30, 2017. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District ended the year with a total net position of \$4,918,960, a decrease of \$(7,955,745) from the prior year. The year-end net position was composed of \$34,577,027 in restricted, \$95,423,881 in net investment in capital assets, and \$(125,081,948) in unrestricted net (deficit). The unrestricted net (deficit) increased \$(18,900,646) compared to the prior year. The unrestricted net (deficit) at June 30, 2017 is primarily attributable to recognition of the accumulated OPEB liability of \$151,988,054.
- Expenses and other financing uses, exceeded revenues and other financing sources by \$(7,955,745) in 2017 compared to expenses, other financing uses, and special items exceeding revenues, and other financing sources by \$(4,212,273) in 2016.
- The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The School District's annual OPEB cost for 2017 was \$30,908,959. However, the School District's expected employer contributions totaled \$(10,226,400) during the current fiscal year, resulting in a net increase in OPEB liabilities of \$20,682,559, as compared to an increase in the liability of \$16,761,134 in 2016. The accumulated OPEB liabilities at June 30, 2017 totaled \$151,988,054.
- The School District records its proportionate share of the net pension (asset) liability along with deferred inflows and outflows related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in an increase of government wide expenses of \$467,310, compared to a decrease of \$5,972,406 in 2016.
- The School District had \$66,259,206 in outstanding debt at year end, a decrease of \$(15,556,007) from the prior year. This was primarily the result of principal payments on outstanding long term debt, and payment of prior year BAN of \$3,588,318; partially offset by a new BAN for \$1,000,000.
- Capital asset additions during 2017 amounted to \$8,755,157 for the purchase of buses, vehicles, equipment, and construction in progress expenditures. Depreciation expense was \$11,261,895 for the year.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

- The General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$2,730,382 with a General Fund excess of revenues and other financing sources over expenditures and other financing uses of \$5,861,180. General Fund revenues and other financing sources exceeded the budgeted amounts by \$3,385,263.
- Total General Fund fund balance, including reserves, was \$27,158,005 at June 30, 2017. Unassigned fund balance amounted to \$5,515,210 at year end. Of this amount, \$5,088,080 was subject to and below the maximum limit (4% of 2017-2018 appropriations) permitted under New York State Real Property Tax Law.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. 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 Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

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, a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits, and information related to the School District's pension obligations.

District-wide Financial Statements

The District-wide financial 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.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The two District-wide financial statements report the School District's net position and how they have changed. Net position - the difference between the School District's assets, deferred outflows and inflows of financial resources and liabilities - 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, one needs 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.

Governmental Fund Financial Statements

The Governmental 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. The School 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 one 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 financial statements, additional information following 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.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for the fiscal year ended June 30, 2017 decreased by \$(7,955,745). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>Restated - 2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Current assets</i>	\$ 22,122,573	\$ 27,163,725	\$ 5,041,152
<i>Noncurrent assets</i>	56,183,258	30,967,786	(25,215,472)
<i>Capital assets, net</i>	163,675,852	161,169,114	(2,506,738)
<i>Total Assets</i>	\$ 241,981,683	\$ 219,300,625	\$ (22,681,058)
<i>Deferred charges on defeased debt</i>	758,734	513,973	(244,761)
<i>Pensions</i>	11,690,081	26,501,975	14,811,894
<i>Total Deferred Outflows of Resources</i>	\$ 12,448,815	\$ 27,015,948	\$ 14,567,133
<i>Current liabilities</i>	25,618,611	23,953,287	(1,665,324)
<i>Noncurrent liabilities</i>	206,726,099	215,737,907	9,011,808
<i>Total Liabilities</i>	\$ 232,344,710	\$ 239,691,194	\$ 7,346,484
<i>Pensions</i>	9,211,083	1,706,419	(7,504,664)
<i>Total Deferred Inflows of Resources</i>	\$ 9,211,083	\$ 1,706,419	\$ (7,504,664)
<i>Net investment in capital assets</i>	86,083,007	95,423,881	9,340,874
<i>Restricted</i>	32,973,000	34,577,027	1,604,027
<i>Unrestricted</i>	(106,181,302)	(125,081,948)	(18,900,646)
<i>Total Net Position</i>	\$ 12,874,705	\$ 4,918,960	\$ (7,955,745)

The increase in current assets is primarily due to an increase in cash resulting from revenues in excess of expenditures, along with an increase in prepaid expenses due to prepaid health insurance premiums and charter school payment in the current year; partially offset by decreases in receivables. The decrease in capital assets is primarily a result of current year depreciation expense in excess of capital outlay. The decrease in noncurrent assets, and deferred inflows of resources - pensions, along with increase in deferred outflows of resources - pensions, is related to changes in the actuarially determined proportionate share of the pension systems plans net pension (asset) liability and related deferred outflows and inflows of resources.

The decrease in current liabilities is primarily due to the payment of prior year BAN's and decreases in the current portion of long term debt, accrued liabilities, and amounts due to pension plans; partially offset by an increase in accounts payable. The increase in noncurrent liabilities is primarily due to an increase in the OPEB liability of \$20,682,559; offset by regular principal payments on long term debt.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Net investment in capital assets increased due to debt principal payments offset by the decrease in net capital assets. The increase in restricted net position is primarily based on increased funding for capital projects. Unrestricted net position decreased primarily due to the GASB No. 45 OPEB liability and expense recognition of \$20,682,559 in 2017, offset by increases in state sources. Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>REVENUES</i>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 717,406	\$ 630,278	\$ (87,128)
<i>Operating grants and contributions</i>	10,769,788	12,174,474	1,404,686
<i>Capital grants</i>	10,006	792,831	782,825
<i>General Revenues:</i>			
<i>Real property taxes</i>	25,033,235	25,364,168	330,933
<i>Real property tax items</i>	8,129,699	7,820,062	(309,637)
<i>State sources</i>	83,656,278	90,011,725	6,355,447
<i>Use of money and property</i>	395,451	257,321	(138,130)
<i>Medicaid reimbursement</i>	432,666	365,710	(66,956)
<i>Other general revenues</i>	2,451,444	2,009,466	(441,978)
<i>Total Revenues</i>	<i>\$ 131,595,973</i>	<i>\$ 139,426,035</i>	<i>\$ 7,830,062</i>
<i>PROGRAM EXPENSES</i>			
<i>General support</i>	\$ 20,866,749	\$ 22,740,068	\$ 1,873,319
<i>Instruction</i>	98,905,952	111,055,017	12,149,065
<i>Pupil transportation</i>	6,245,347	7,147,970	902,623
<i>Community service</i>	159,806	266,410	106,604
<i>School lunch program</i>	3,591,473	3,695,711	104,238
<i>Interest on debt</i>	2,863,315	2,476,604	(386,711)
<i>Total Expenses</i>	<i>\$ 132,632,642</i>	<i>\$ 147,381,780</i>	<i>\$ 14,749,138</i>
<i>Unrealized depreciation expense on disposal of building</i>	\$ 3,175,604	\$ -	\$ (3,175,604)
<i>(DECREASE) IN NET POSITION</i>	<i>\$ (4,212,273)</i>	<i>\$ (7,955,745)</i>	<i>\$ (3,743,472)</i>

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Total revenues for the School District's Governmental Activities increased by \$7,830,062, or 6.0%, and total expenses increased \$14,749,138, or 11.1%. Operating grants and contributions increased primarily due to increases in IDEA Section 611 claims during the current year. Capital grants increased due to SMART School State aid for capital projects. State sources increased primarily due to increases in general aid. Property tax increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. Other general revenues decreased due to large refund received in the prior year. The increase in total expenses is primarily due to increased GASB Statement No. 45 and 68 expense, payments to BOCES and charter schools, salary and employee benefit expense increases, and additional expenses for state and federal programs. Additionally, during the prior year, the School District disposed of a building and recognized \$3,175,604 in unrealized depreciation expense.

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

Figure 3
Sources of Revenue for 2017

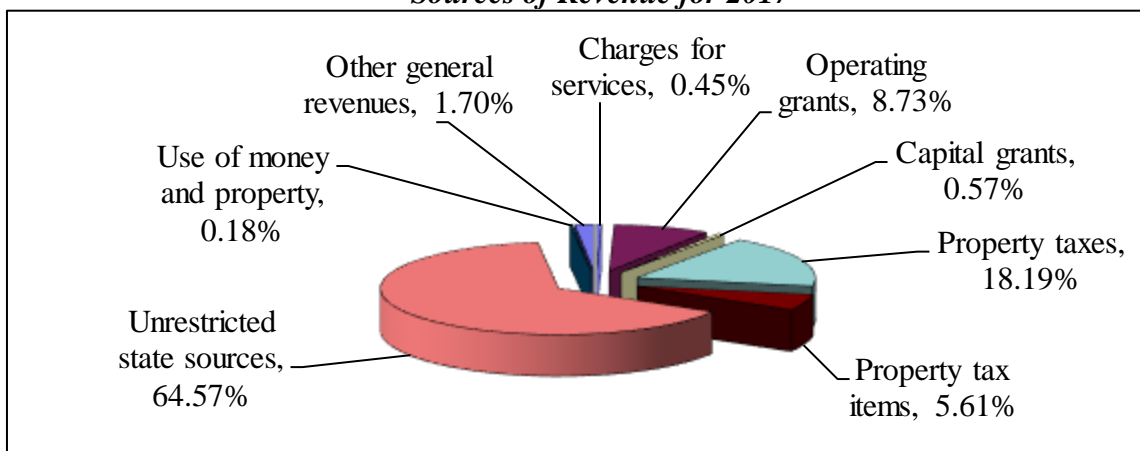
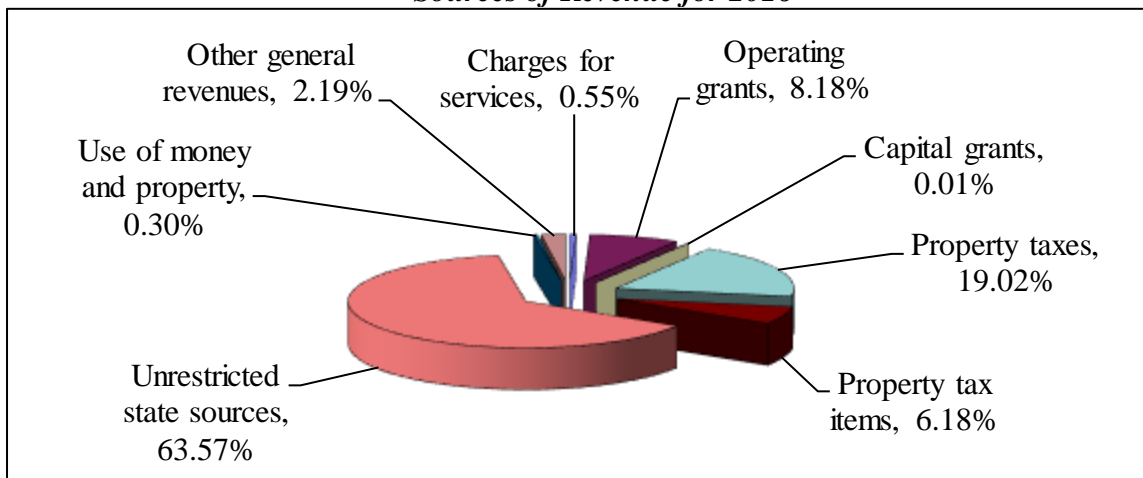


Figure 4
Sources of Revenue for 2016



ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figures 5 and 6 present the cost of each of the School District's programs for 2017 and 2016.

Figure 5

Cost of Programs for 2017

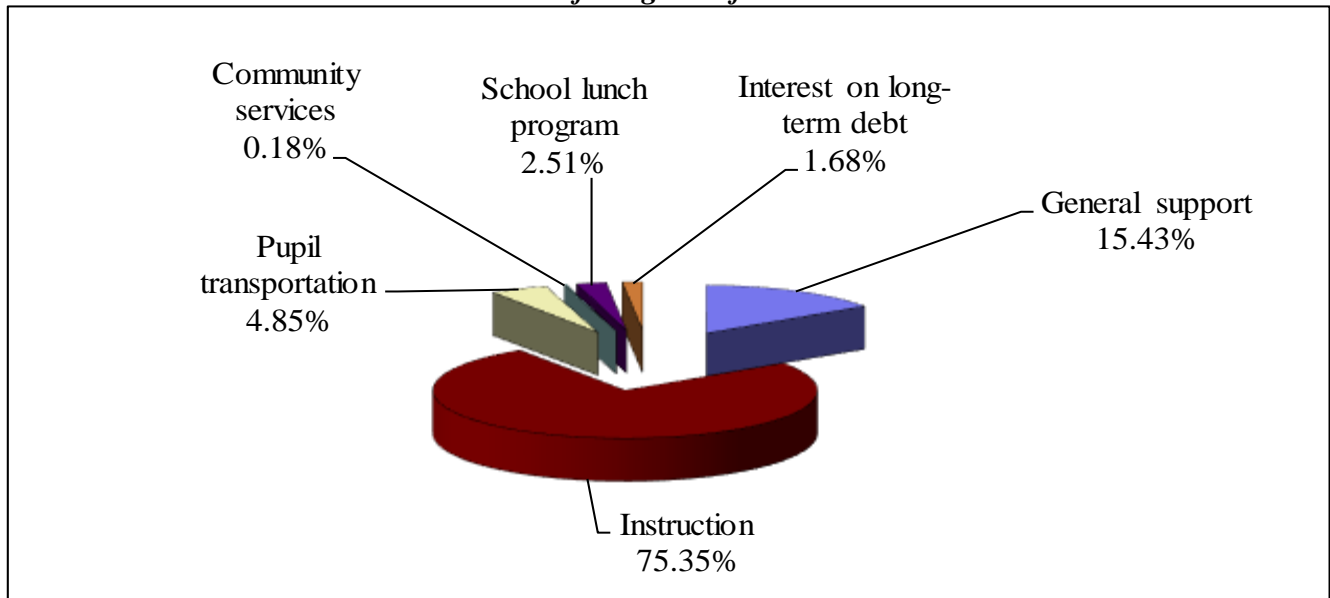
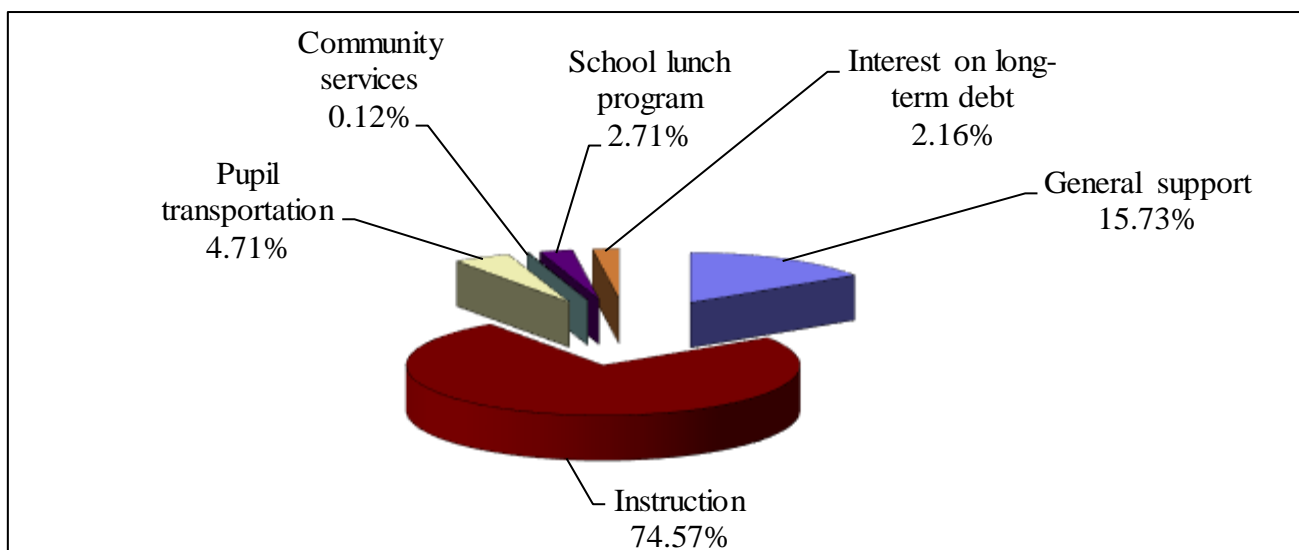


Figure 6

Cost of Programs for 2016



ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in the School District's fund balances for the year.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$43,302,878. The \$2,605,604 increase in fund balance is mainly a result of the revenue in excess of budgeted amounts resulting in General Fund revenues in excess of expenditures of \$5,861,180; partially offset by capital outlay in excess of revenues and other financing sources of \$(3,596,092) in the Capital Projects Fund.

Figure 7

<i>Governmental Fund Balances</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016 - 2017</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 21,296,825	\$ 27,158,005	\$ 5,861,180
<i>School Lunch Fund</i>	460,165	781,428	321,263
<i>Debt Service Fund</i>	11,907,433	11,926,686	19,253
<i>Capital Projects Funds</i>	7,032,851	3,436,759	(3,596,092)
<i>Total Governmental Funds</i>	\$ 40,697,274	\$ 43,302,878	\$ 2,605,604

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Superintendent approves budgetary transfers that revise the School District budget line items and the Board reviews the transfers. Typically these budget amendments consist of budget transfers between functions, which do not increase the overall budget. During the current year, the budget was increased to reflect receipt of gifts and donations and increases in appropriated reserves and appropriated fund balance.

The School District received \$3,385,263 more in General Fund revenues and other financing sources than was budgeted, primarily due to higher than expected state aid. Expenditures and other financing uses were lower than the revised budget (with carryover encumbrances) by \$2,730,382. This is primarily due to lower than expected costs related to general support, instructional programs, and employee benefit expense.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2017.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>(Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 24,421,116	\$ 25,539,689	\$ 25,364,168	\$ (175,521)
<i>Other tax items</i>	8,972,892	7,844,896	7,820,062	(24,834)
<i>State sources</i>	86,437,214	86,787,214	90,016,840	3,229,626
<i>Federal sources</i>	505,000	505,000	555,961	50,961
<i>Other, including financing sources</i>	2,778,216	2,431,713	2,736,744	305,031
Total Revenues and Other Financing Sources	\$ 123,114,438	\$ 123,108,512	\$ 126,493,775	\$ 3,385,263
Appropriated Fund Balances and Reserves	\$ -	\$ 402,965		
Encumbrances	\$ 517,542	\$ 517,542		
EXPENDITURES				
<i>General support</i>	\$ 16,926,524	16,548,616	\$ 15,852,788	695,828
<i>Instruction</i>	53,959,327	54,824,570	53,801,118	1,023,452
<i>Pupil transportation</i>	4,498,513	4,536,658	4,405,842	130,816
<i>Community service</i>	516,576	294,159	244,744	49,415
<i>Employee benefits</i>	32,710,446	29,191,485	28,366,348	825,137
<i>Debt service</i>	15,020,594	17,849,031	17,849,030	1
<i>Other financing uses</i>	-	784,500	778,767	5,733
Total Expenditures and Other Financing (Uses)	\$ 123,631,980	\$ 124,029,019	\$ 121,298,637	\$ 2,730,382

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the School District had invested in a broad range of capital assets. Capital assets, net of related depreciation, decreased \$(2,506,738) during 2017.

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016 (as restated)</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Land</i>	\$ 1,366,563	\$ 1,465,563	\$ 99,000
<i>Construction in progress</i>	3,182,003	10,474,994	7,292,991
<i>Buildings, net</i>	151,003,515	141,318,287	(9,685,228)
<i>Equipment, net</i>	8,123,771	7,910,270	(213,501)
<i>Total</i>	\$ 163,675,852	\$ 161,169,114	\$ (2,506,738)

Capital asset activity for the year ended June 30, 2017 included the following:

Construction in progress	\$ 7,650,724
Machinery and equipment	51,550
Vehicles and buses	1,052,883
Total additions	<u>8,755,157</u>
Less depreciation expense	<u>(11,261,895)</u>
Net Change in Capital Assets	\$ <u>(2,506,738)</u>

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(15,556,007) in 2017, as shown in Figure 10. Total indebtedness represented 39.3% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Bond anticipation notes</i>	\$ 3,588,318	\$ 1,000,000	\$ (2,588,318)
<i>Serial bonds</i>	78,226,895	65,259,206	(12,967,689)
<i>Total</i>	\$ 81,815,213	\$ 66,259,206	\$ (15,556,007)

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating is A, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- School Districts in New York State are impacted by the political pressures imposed on officials in the funding of school districts. Year to year changes in funding levels and state aid formulas complicate the planning process for schools.
- All governments are operating under a state mandated property tax levy cap. This legislation limits the School District's ability to increase property taxes to help offset increases in contractual salaries, pension, and health insurance. If the School District wants to propose a tax levy above the property tax cap limit, the proposed budget must be approved by 60% or more of the voters.
- There will be challenges related to the increase costs of health insurance, the teachers' retirement system and employees' retirement system. Pension rates are established by New York State and the School District must legally provide this benefit to its employees.
- A new charter school, Finn Academy, located within the Elmira City School District began operations in the 2015-16 school year. Finn Academy currently has 270 students enrolled from kindergarten to 5th grade and plans to add a new grade level each year until grade 8. This could have a large impact on the School District and distribution of State aid.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Elmira City School District, at 951 Hoffman Street, Elmira NY 14905.

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

ASSETS

Current Assets

Cash and cash equivalents - Unrestricted	\$ 10,425,664
Cash and cash equivalents - Restricted	3,926,420
Taxes receivable	1,323,821
Due from state and federal governments	4,623,088
Due from other governments	3,786,738
Due from fiduciary funds	346
Other receivables, net	526,163
Inventories	181,816
Prepaid items	2,369,669
Total Current Assets	27,163,725

Noncurrent Assets

Restricted cash	30,967,786
Capital assets, net:	
Nondepreciable	11,940,557
Depreciable capital assets, net	149,228,557
Total Noncurrent Assets	192,136,900

Total Assets

219,300,625

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - Pensions	26,501,975
Deferred charges on defeased debt	513,973

Total Deferred Outflows of Financial Resources

27,015,948

LIABILITIES

Current Liabilities

Accounts payable	5,049,993
Accrued liabilities	400,116
Due to other governments	946,613
Bond interest and matured bonds	527,219
Bond anticipation notes payable	1,000,000
Overpayments and collections in advance	8,313
Unearned revenues - other	32,259
Due to Teachers' Retirement System	4,192,918
Due to Employees' Retirement System	457,409

Current portion of long-term liabilities:

Bonds payable	10,572,937
Compensated absences	765,510
Total Current Liabilities	23,953,287

See Independent Auditor's Report and Notes to Basic Financial Statements

LIABILITIES (continued)**Noncurrent Liabilities and Obligations**

Bonds payable	\$ 54,686,269
Compensated absences	<u>3,001,562</u>
Other postemployment benefits liability	<u>151,988,054</u>
Net pension liability - Proportionate share	<u>6,062,022</u>
Total Noncurrent Liabilities and Obligations	<u><u>215,737,907</u></u>

Total Liabilities239,691,194**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - Pensions	<u>1,706,419</u>
--	------------------

NET POSITION

Net investment in capital assets	<u>95,423,881</u>
Restricted	<u>34,577,027</u>
Unrestricted net (deficit)	<u>(125,081,948)</u>

Total Net Position**\$ 4,918,960**

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
General support	\$ 22,740,068	\$	\$	\$ (22,740,068)
Instruction	<u>111,055,017</u>	<u>489,784</u>	<u>8,735,496</u>	<u>(101,036,906)</u>
Pupil transportation	<u>7,147,970</u>			<u>(7,147,970)</u>
Community services	<u>266,410</u>			<u>(266,410)</u>
School lunch program	<u>3,695,711</u>	<u>140,494</u>	<u>3,438,978</u>	<u>(116,239)</u>
Interest on debt	<u>2,476,604</u>			<u>(2,476,604)</u>
Total Functions and Programs	\$ <u>147,381,780</u>	\$ <u>630,278</u>	\$ <u>12,174,474</u>	\$ <u>792,831</u>
GENERAL REVENUES				
				25,364,168
Real property taxes				<u>7,820,062</u>
Real property tax items				<u>257,321</u>
Use of money and property				<u>90,011,725</u>
Unrestricted State sources				<u>365,710</u>
Medicaid reimbursement				<u>53,044</u>
Sale of property				<u>1,865,316</u>
Miscellaneous				<u>91,106</u>
Interfund revenue				<u>125,828,452</u>
Total General Revenues				125,828,452
Change in Net Position				(7,955,745)
Total Net Position - Beginning of Year, as Restated				<u>12,874,705</u>
Total Net Position - End of Year				\$ <u>4,918,960</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash and cash equivalents - Unrestricted	\$ 8,757,113	\$ 551,892	\$
Cash and cash equivalents - Restricted	19,041,100		489,661
Taxes receivable	1,323,821		
Due from other funds	1,859,504	263	
Due from state and federal governments	2,174,712	1,418,827	226,712
Due from other governments	3,786,738		
Due from fiduciary funds	346		
Other receivables, net	525,716		447
Inventories			181,816
Prepaid items	2,362,783	6,886	
Total Assets	\$ 39,831,833	\$ 1,977,868	\$ 898,636
LIABILITIES			
Accounts payable	\$ 1,341,862	\$ 117,282	\$ 47,152
Accrued liabilities	368,872	18,057	13,187
Due to other funds	2,624,201	1,810,270	49,497
Due to other governments	946,141		472
Due to Teachers' Retirement System	4,192,918		
Due to Employees' Retirement System	457,409		
Bond Anticipation Notes payable			
Overpayments and collections in advance	1,413		6,900
Unearned revenues		32,259	
Compensated absences	765,510		
Total Liabilities	10,698,326	1,977,868	117,208
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	1,975,502		
Total Deferred Inflows	1,975,502	-	-
FUND BALANCES			
Nonspendable	2,362,783	6,886	181,816
Restricted	18,613,970		599,612
Assigned	666,042		
Unassigned	5,515,210	(6,886)	
Total Fund Balances	27,158,005	-	781,428
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 39,831,833	\$ 1,977,868	\$ 898,636

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$
	1,116,659	10,425,664
11,925,694	3,437,751	34,894,206
		1,323,821
992	2,624,201	4,484,960
	802,837	4,623,088
		3,786,738
		346
		526,163
		181,816
		2,369,669
\$ 11,926,686	\$ 7,981,448	\$ 62,616,471
\$	\$	\$
	3,543,697	5,049,993
		400,116
	992	4,484,960
		946,613
		4,192,918
		457,409
	1,000,000	1,000,000
		8,313
		32,259
		765,510
-	4,544,689	17,338,091
		1,975,502
-	-	1,975,502
		2,551,485
11,926,686	3,436,759	34,577,027
		666,042
		5,508,324
11,926,686	3,436,759	43,302,878
\$ 11,926,686	\$ 7,981,448	\$ 62,616,471

ELMIRA CITY SCHOOL DISTRICT

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

Fund Balances (Deficit) - Total Governmental Funds **\$ 43,302,878**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 289,857,042	
Less accumulated depreciation	<u>(128,687,928)</u>	161,169,114

Revenues not collected within 90 days (60 days for property taxes of year end are deferred inflows of resources for the fund financial statements, but are recognized on the accrual basis for the district-wide financial statements. The amount of revenues classified as deferred inflows of resources on the fund financial statements is:

Unavailable tax revenue	\$ 1,323,821	
Unavailable rental revenue	25,063	
Unavailable aid	<u>626,618</u>	1,975,502

The School District's proportionate share of the employee retirement systems' collective net pension asset or liability is not reported in the funds.

TRS net pension liability - Proportionate share	\$ (2,379,085)	
ERS net pension liability - Proportionate share	<u>(3,682,937)</u>	(6,062,022)

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt	\$ 513,973	
ERS deferred outflows - Pension	3,244,420	
ERS deferred inflows - Pension	(671,350)	
TRS deferred outflows - Pension	23,257,555	
TRS deferred inflows - Pension	<u>(1,035,069)</u>	25,309,529

Long-term liabilities, including bonds payable, compensated absences, and amounts due for other postemployment employee benefits, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (64,590,000)	
Unamortized bond premium	(669,206)	
Compensated absences	(3,001,562)	
Other postemployment benefits liabilities	<u>(151,988,054)</u>	(220,248,822)

Interest is accrued on outstanding balances of debt obligations in the District-wide financial statements.

Accrued interest on long-term debt		<u>(527,219)</u>
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Net Position of Governmental Activities **\$ 4,918,960**

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

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

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 25,364,168	\$	\$
Real property tax items	195,923		
Other tax items	7,624,139		
Charges for services	489,784		
Use of money and property	237,494		574
Sale of property and compensation for loss	53,044		
Miscellaneous	1,865,316	4,488	34,735
State sources	90,016,840	2,303,655	78,365
Interfund revenues	91,106		
Medicaid reimbursement	365,710		
Federal sources	190,251	6,237,102	3,360,613
Sales - School lunch			105,759
Total Revenues	126,493,775	8,545,245	3,580,046
EXPENDITURES			
General support	15,759,246	91,106	
Instruction	53,229,603	6,493,559	1,484,882
Pupil transportation	4,404,857		
Community services	244,744		
Employee benefits	28,366,348	2,065,864	493,997
Debt service			
Principal	15,233,318		
Interest	2,615,712		
Cost of sales			1,279,904
Capital outlay			
Total Expenditures	119,853,828	8,650,529	3,258,783
Excess (Deficiency) of Revenues Over Expenditures	6,639,947	(105,284)	321,263
OTHER FINANCING SOURCES AND (USES)			
BANs redeemed from appropriations			
Operating transfers in		105,284	
Operating transfers (out)	(778,767)		
Total Other (Uses) Sources	(778,767)	105,284	-
Net Change in Fund Balance	5,861,180		321,263
Fund Balances - Beginning of Year	21,296,825		460,165
Fund Balances - End of Year	\$ 27,158,005	\$ -	\$ 781,428

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ _____	\$ _____	\$ 25,364,168
_____	_____	195,923
_____	_____	7,624,139
_____	_____	489,784
19,253	_____	257,321
_____	_____	53,044
_____	_____	1,904,539
_____	792,831	93,191,691
_____	_____	91,106
_____	_____	365,710
_____	_____	9,787,966
_____	_____	105,759
19,253	792,831	139,431,150
_____	_____	15,850,352
_____	_____	61,208,044
_____	_____	4,404,857
_____	_____	244,744
_____	_____	30,926,209
_____	_____	15,233,318
_____	_____	2,615,712
_____	_____	1,279,904
_____	7,650,724	7,650,724
-	7,650,724	139,413,864
19,253	(6,857,893)	17,286
_____	2,588,318	2,588,318
_____	673,483	778,767
_____	_____	(778,767)
-	3,261,801	2,588,318
19,253	(3,596,092)	2,605,604
11,907,433	7,032,851	40,697,274
\$ 11,926,686	\$ 3,436,759	\$ 43,302,878

ELMIRA CITY SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds	\$	2,605,604
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 8,755,157	
Depreciation expense	<u>(11,261,895)</u>	(2,506,738)
<p>Certain revenue in the Governmental Funds is deferred because it is not available soon enough after year-end to pay for the current period's expenditures. On the accrual basis, however, this revenue is recognized regardless of when it is collected.</p>		
Change in unavailable revenue		(5,115)
<p>Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Principal payment		12,645,000
<p>Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements.</p>		
Other postemployment benefits liabilities	\$ (20,682,559)	
Compensated absences	<u>316,265</u>	(20,366,294)
<p>Interest expense reported in the Statement of Activities includes changes in accrued interest, premiums on obligations and deferred interest from advance refunding of bonds. These items are not included in interest expense in the Governmental Fund financial statements.</p>		
Amortization of bond premium	\$ 322,689	
Amortization of deferred amounts on refunded debt	(244,761)	
Change in accrued interest	<u>61,180</u>	139,108
<p>Changes in the School District's proportionate share of net pension assets and liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.</p>		
TRS	\$ 83,441	
ERS	<u>(550,751)</u>	<u>(467,310)</u>
Net Change in Net Position of Governmental Activities	\$	<u>(7,955,745)</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2017

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash: Unrestricted	\$	\$ 118,352
Cash: Restricted	<u>45,706</u>	<u>132,995</u>
Total Assets	<u>45,706</u>	<u>\$ 251,347</u>
 LIABILITIES		
Due to Governmental Funds		\$ 346
Extraclassroom Activity Funds balance		<u>98,661</u>
Other liabilities		<u>152,340</u>
Total Liabilities	<u>-</u>	<u>\$ 251,347</u>
 NET POSITION		
Restricted for scholarships	<u>\$ 45,706</u>	

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

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

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 1,219
Investment earnings	24
Total Additions	<u>1,243</u>
DEDUCTIONS	
Scholarships and awards	<u>3,794</u>
Change in Net Position	(2,551)
Net Position - Beginning of Year	<u>48,257</u>
Net Position - End of Year	\$ <u><u>45,706</u></u>

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies**

The accompanying financial statements of the Elmira City School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 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 financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is the Elmira City School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School 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 Extraclassroom Activity Funds are included in the School District's reporting entity.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

The Extraclassroom Activity Funds of the Elmira City School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's office, located at 951 Hoffman Street, Elmira NY 14905.

Joint Venture

The Elmira City School District is one of 21 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of School Districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

Separate financial statement of Greater Southern Tier BOCES may be obtained by contacting the Business Office, Greater Southern Tier BOCES, 459 Philo Road, Elmira, NY 14903.

Basis of Presentation - District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

The Statement of Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Used to account for proceeds received from State and federal grants that are restricted for special educational programs.
 - **School Lunch Fund:** Used to account for child nutrition activities whose funds are restricted as to use.
- **Capital Projects Fund:** Accounts for the financial resources used for the renovation of the School District's educational complex.
- **Debt Service Fund:** Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Fiduciary activities are those in which the School 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 School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Funds:** Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

The District-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the School 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 state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial 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 School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Cash and Investments

The School 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 School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (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.

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, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

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 fair value. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School 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 Governmental 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 portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable as these assets are not in spendable form in the current period.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at acquisition 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 financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	50 years
Building Improvements	5,000	15-20 years
Machinery and equipment	5,000	5-20 years

The School District utilizes the straight line method of depreciation.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows related to pensions in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Note 10.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports unavailable revenues - property taxes under the modified accrual basis of accounting in the Balance Sheet - Governmental Funds. The School District also reports deferred inflows related to pensions which are further described in Note 10.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Vested Employee Benefits - Compensated Absences

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

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 time 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 No. 16, "Accounting for Compensated Absences," the 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 Governmental Fund financial 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.

Other Postemployment Benefits

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

The School District follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

The Governmental Fund financial statements report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Overpayments and Collections in Advance

Overpayments and collections in advance arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability is removed and revenues are recorded.

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 judgements, other postemployment benefit 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 School 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.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, the Board of Education, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently, fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- **Workers Compensation Reserve (GML §6-j):** Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for administering this self-insurance program. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the General Fund.
- **Unemployment Insurance Reserve (GML §6-m):** Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- **Retirement Contribution Reserve (GML §6-r):** Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.
- **Employee Benefit Accrued Liability Reserve (GML §6-p):** Used to reserve funds for payment of accrued employee benefits upon termination of an 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. This reserve is accounted for in the General Fund.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Insurance Reserve (GML §6-n): Used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.
- Tax Certiorari Reserve (Education Law §3651.1-a): 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. This reserve is accounted for in the General Fund.
- Capital Reserve (Education Law §3651) - 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. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.
- Mandatory Debt Service Reserve (GML §6-1) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Reserve for Tax Reduction (GML §6-1) - Used to establish a reserve for the purpose of gradual use of the proceeds of the sale of School District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the district is permitted to retain the proceeds of the sale for a period not to exceed ten years and to use them during that period for tax reduction. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than October 1. For the year ended June 30, 2017, the tax lien was issued on September 14, 2016. Taxes were collected during the period October 1, 2016 to March 31, 2017. Property taxes are permitted to be paid in installments during the collection period, with the first installment due on October 31 and the second due March 31.

The City of Elmira and Chemung County enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transferred by the City to the School District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of fiscal year end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, a deferred inflow of resources offsets real property taxes receivable.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the 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.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

New Accounting Standards

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2017:

- GASB has issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 77, “Tax Abatement Disclosures,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 80, “Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 81, “Irrevocable Split-Interest Agreements,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,” effective for the year ended June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards

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

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment 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 Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

***Note 2* Participation in BOCES**

During the year ended June 30, 2017, the School District's share of BOCES income amounted to \$7,778,163. The School District was billed \$18,835,493 for BOCES administration and program costs. Financial statements for the Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, New York, 14903.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 3 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 School District's deposits may not be returned to it. The School District has established a custodial credit risk policy which requires the school district to maintain collateralized deposits of at least 102% of amounts not covered under FDIC insurance. New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$50,011,104 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash consists of the following at June 30, 2017:

Restricted for debt service	\$	11,926,686
Restricted for capital projects		3,436,759
Restricted for school lunch		489,661
Restricted for General Fund reserves		18,613,970
Restricted for tax reduction		<u>427,130</u>
 Total Governmental Funds		 <u>34,894,206</u>
 Private Purpose Trust Fund		 45,706
Agency Fund		<u>132,995</u>
 Total	 \$	 <u><u>35,072,907</u></u>

Note 4 Other Receivables

Other receivables consisted of the following, which are stated at net realizable value.

	<u>Description</u>		<u>Amount</u>
General Fund	Other	\$	525,716
School Lunch Fund	Charges for services		<u>447</u>
 Total		 \$	 <u><u>526,163</u></u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2017, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,859,504	\$ 2,624,201	\$	\$ 778,767
Special Aid Fund	263	1,810,270	105,284	
Capital Projects Fund	2,624,201	992	673,483	
School Lunch Fund		49,497		
Debt Service Fund	992			
Total	\$ 4,484,960	\$ 4,484,960	\$ 778,767	\$ 778,767

In addition to the above interfund activity, the Agency Fund owed the General Fund \$346 at year end.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects.

The School 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.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 6 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance (as Restated)</u>	<u>Additions</u>	<u>Retirements & Reclass- ification</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 1,366,563	\$ -	\$ 99,000	\$ 1,465,563
Construction in progress	3,182,003	7,650,724	(357,734)	10,474,994
Total Nondepreciable Historical Cost	<u>4,548,566</u>	<u>7,650,724</u>	<u>(258,734)</u>	<u>11,940,557</u>
Capital assets that are depreciated:				
Buildings	261,443,894	-	258,734	261,702,628
Furniture and equipment	15,870,602	1,104,433	(761,177)	16,213,857
Total Depreciable Historical Cost	<u>277,314,496</u>	<u>1,104,433</u>	<u>(502,443)</u>	<u>277,916,485</u>
Total Historical Cost	<u>281,863,062</u>	<u>8,755,157</u>	<u>(761,177)</u>	<u>289,857,042</u>
Less accumulated depreciation:				
Buildings	(110,440,379)	(9,943,962)		(120,384,341)
Furniture and equipment	(7,746,831)	(1,317,933)	761,177	(8,303,587)
Total Accumulated Depreciation	<u>(118,187,210)</u>	<u>(11,261,895)</u>	<u>761,177</u>	<u>(128,687,928)</u>
Total Historical Cost, Net	\$ <u>163,675,852</u>	\$ <u>(2,506,738)</u>	\$ <u>-</u>	\$ <u>161,169,114</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 1,781,558
Instruction	8,709,464
Pupil transportations	<u>770,873</u>
Total Depreciation Expense	\$ <u>11,261,895</u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 7 Short-term Debt

The School 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 School District did not issue or redeem any RANs or TANs during the year.

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

The School 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. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. BAN activity for the year is summarized below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2016 BAN	1.00%	6/29/2017	\$ 3,588,318	\$	\$ 3,588,318	\$ -
2017 BAN	1.39%	6/28/2018		1,000,000		1,000,000
Total			\$ 3,588,318	\$ 1,000,000	\$ 3,588,318	\$ 1,000,000

Interest expense on short-term debt during the year was comprised of:

Interest paid	\$ 35,883
Less interest accrued in the prior year	(99)
Plus interest accrued in the current year	<u>77</u>
Total	\$ <u>35,861</u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt

At June 30, 2017, the total outstanding indebtedness of the School District represented 39.3% of its statutory debt limit, exclusive of building aid. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

The following is a summary of the School District's long-term debt for the year ended June 30, 2017:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2017
Refunding Bonds				
Refunding Bonds - 2011	8/26/2011	6/15/2022	2.00% - 5.00%	\$ 4,295,000
Refunding Bonds - 2012	2/16/2012	6/15/2019	2.00% - 3.00%	780,000
Refunding Bonds - 2013	9/6/2012	6/15/2019	1.50% - 4.00%	2,170,000
Refunding Bonds - 2014	3/11/2014	6/15/2024	2.00% - 5.00%	5,555,000
Refunding Bonds - 2015	3/4/2015	6/15/2025	1.50% - 5.00%	4,640,000
Total Refunding Bonds				<u>17,440,000</u>
Build America Bonds				
QZAB - Construction	6/15/2010	6/15/2025	0.80%	9,760,000
QSCB - Construction	8/4/2011	8/01/2025	5.75%	3,640,000
Total Build America				<u>13,400,000</u>
Serial Bonds				
Serial Bond - 2011	5/20/2011	6/15/2023	3.00% - 4.00%	3,595,000
Serial Bond - 2012	4/24/2012	6/15/2025	2.00% - 4.00%	6,375,000
Serial Bond - 2013	9/24/2013	10/15/2024	3.00% - 5.00%	9,210,000
Serial Bond - 2013	11/18/2013	2/01/2025	2.00% - 5.00%	14,570,000
Total Serial Bonds				<u>33,750,000</u>
Plus Premium of refinancing				<u>669,206</u>
Total Bonds Payable				<u><u>\$ 65,259,206</u></u>

Interest expense on long-term debt during the year was:

Interest paid	\$ 2,579,829
Less interest accrued in the prior year	(588,300)
Plus interest accrued in the current year	527,142
Plus amortization of deferred charges on defeased debt	244,761
Less amortization of bond premium	<u>(322,689)</u>
Total	<u><u>\$ 2,440,743</u></u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt - Continued

Interest paid on the Serial Bonds varies from year to year, in accordance with interest rates specified in the bond agreements.

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

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds	\$ 77,235,000	\$	\$ (12,645,000)	\$ 64,590,000	\$ 10,335,000
Plus: premium on refunded debt	991,895	-	(322,689)	669,206	237,937
Total	\$ 78,226,895	\$ -	\$ (12,967,689)	\$ 65,259,206	\$ 10,572,937

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
2011 Refunding Bonds	\$ 182,711	\$	\$ (55,965)	\$ 126,746	\$ 37,896
2012A Refunding Bonds	13,084	-	(7,483)	5,601	3,718
2012B Refunding Bonds	66,066	-	(34,301)	31,765	22,191
2014 Refunding Bonds	254,681	-	(91,517)	163,164	70,806
2015 Refunding Bonds	242,192	-	(55,495)	186,697	47,059
Total Deferred Charges on Defeased Debt	\$ 758,734	\$ -	\$ (244,761)	\$ 513,973	\$ 181,670

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

Year	Principal	Interest	Total
2018	\$ 10,335,000	\$ 2,178,705	\$ 12,513,705
2019	9,980,000	1,815,950	11,795,950
2020	8,765,000	1,466,090	10,231,090
2021	7,915,000	1,180,225	9,095,225
2022	7,625,000	905,680	8,530,680
2023-2026	19,970,000	1,235,895	21,205,895
Total	\$ 64,590,000	\$ 8,782,545	\$ 73,372,545

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 8* Long-term Debt - Continued**

On August 26, 2011, the School District issued \$18,075,000 in general obligation bonds, with interest rates ranging between 2.0% and 5.0%. The School District issued the bonds to advance refund the \$18,080,000 outstanding various general obligation bonds with interest rates ranging from 4.0% to 5.75%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$18,080,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$4,680,000 at June 30, 2017.

On February 16, 2012, the School District issued \$5,370,000 in general obligation bonds, with interest rates ranging between 2.0% and 3.0%. The School District issued the bonds to advance refund the \$5,375,000 outstanding various general obligation bonds with interest rates ranging from 4.0% to 5.0%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$5,375,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$855,000 at June 30, 2017.

On September 6, 2012, the School District issued \$7,375,000 in general obligation bonds, with interest rates ranging between 1.5% and 4.0%. The School District issued the bonds to advance refund the \$7,385,000 outstanding various general obligation bonds with interest rates ranging from 3.5% to 4.25%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$7,385,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$2,270,000 at June 30, 2017.

On March 11, 2014, the School District issued \$8,595,000 in general obligation bonds, with interest rates ranging between 2.0% and 5.0%. The School District issued the bonds to advance refund the \$8,595,000 outstanding various general obligation bonds with an interest rate of 4.0%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$8,595,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$5,700,000 at June 30, 2017.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 8* Long-term Debt - Continued**

On March 4, 2015, the School District issued \$5,275,000 in general obligation bonds, with interest rates ranging between 1.5% and 5.0%. The School District issued the bonds to advance refund the \$5,280,000 outstanding various general obligation bonds with interest rates ranging from 4.125% to 4.250%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$5,280,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$4,695,000 at June 30, 2017.

***Note 9* Other Long-term Obligations**

In addition to the above long-term debt, the School District had the following other long-term obligations:

- **Compensated Absences:** Represent the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.
- **Other postemployment benefits liability:** Represents the expected obligation for the School District's postretirement health care benefits program. See Note 11 for further information. This liability is liquidated from the General and School Lunch Funds.
- **Net pension (asset) liability:** Represents the School District's proportionate share of New York State retirement plan's (asset) liability. See Note 10 for further information.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 9 Other Long-term Obligations - Continued

Other long-term obligations balances and activity are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	\$ 3,317,827	\$	\$ (316,265)	\$ 3,001,562
Other postemployment benefits liability	131,305,495	30,908,959	(10,226,400)	151,988,054
Total	\$ 134,623,322	\$ 30,908,959	\$ (10,542,665)	\$ 154,989,616

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Continued

Employees' Retirement System (ERS)

The School 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 School 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 1, 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.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2017	\$ 1,751,188	\$ 4,545,078
2016	2,532,285	5,974,257
2015	1,691,765	5,217,189

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

At June 30, 2017, the School District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The School District's proportionate share of the net pension liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date (asset)	4/1/2016	6/30/2015
Net pension liability	\$ 9,396,223,126	\$ 1,071,041,940
School District's proportionate share of the Plan's total net pension (asset) liability	3,682,937	2,379,085
School District's share of the net pension (asset) liability	0.039196%	0.22213%

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

For the year ended June 30, 2017, the School District recognized pension expense of \$2,301,259 for ERS and \$3,951,160 for TRS in the District-wide financial statements. At June 30, 2017 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 92,291	\$	\$ 559,275	\$ 772,860
Changes of assumptions	1,258,226	13,552,782		
Net differences between projected and actual earnings on pension plan investments	735,632	5,349,434		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	700,862	321,649	112,075	262,209
School District's contributions subsequent to the measurement date	457,409	4,033,690		
Total	\$ 3,244,420	\$ 23,257,555	\$ 671,350	\$ 1,035,069

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) 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	\$ 888,694	\$ 1,670,631
2019	888,694	1,670,631
2020	820,192	5,825,149
2021	(481,919)	4,532,558
2022		2,087,384
Thereafter		2,402,443

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Investment rate of return	7.0%	7.5%
Salary scale	3.8%	1.9% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

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 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

For ERS, 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 weighting the expected future real rates of return by each the 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:

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Asset Type:		
Domestic equities	4.55%	6.1%
International equities	6.35%	7.3%
Real estate	5.80%	5.4%
Private equity/Alternative investments	7.75%	9.2%
Absolute return strategies	4.00%	
Opportunistic portfolio	5.89%	
Real assets	5.54%	
Cash	-0.25%	
Inflation-indexed bonds	1.50%	
Domestic fixed income securities		1.0%
Global fixed income securities		0.8%
Mortgages and bonds	1.31%	3.1%
Short-term		0.1%

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.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

The following presents the School 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 School 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 or higher than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 11,762,571	\$ 3,682,937	\$ (3,148,378)
TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension (asset) liability	\$ 31,040,570	\$ 2,379,085	\$ (21,660,666)

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension (asset)	\$ 177,400,586	\$ 108,577,184
Plan net position	(168,004,363)	(107,506,142)
Employers' net pension (asset) liability	\$ 9,396,223	\$ 1,071,042
Ratio of Plan Net Position to the Employers' Total Pension (asset) Liability	94.7%	99.0%

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. 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 estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$457,409.

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 amounted to \$4,192,918.

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2017 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension liability	\$ 6,843,572	\$ (3,160,635)	\$ 3,682,937
Deferred outflows of resources	(7,095,647)	3,851,227	(3,244,420)
Deferred inflows of resources	811,191	(139,841)	671,350
Subtotal	559,116	550,751	1,109,867
TRS:			
Net pension (asset) liability	(23,565,418)	25,944,503	2,379,085
Deferred outflows of resources	(4,594,434)	(18,663,121)	(23,257,555)
Deferred inflows of resources	8,399,892	(7,364,823)	1,035,069
Subtotal	(19,759,960)	(83,441)	(19,843,401)
Total Effect on Net Position	\$ (19,200,844)	\$ 467,310	\$ (18,733,534)

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 11* Other Postemployment Benefits**

The School District follows GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.” In the past, the School District reported the cost of its retiree health care postretirement benefits on a “pay-as-you-go” basis. An actuarial valuation of School District Postretirement Health Care Plans (the Plan) was performed as of July 1, 2016 for the fiscal year ended June 30, 2017.

Plan Description - The Plan is a single-employer defined benefit healthcare plan administered by Excellus Blue Cross Blue Shield. The Plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated from time to time. Eligibility for Plan benefits is established by the district and specified in the School District’s employment agreements. The School District assigns the authority to establish and amend benefit provisions to the Board of Education for non-bargaining unit employees. The Plan does not issue separate financial statements.

Funding Policy - The contribution requirements of Plan members and the School District are established and may be amended through negotiations between the School District and bargaining units, along with employment agreements. The School District’s Board of Education has negotiated several collective bargaining agreements, which include obligations of Plan members and the School District. The required contribution is based on projected pay-as-you-go financing requirements.

Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit. The expected contribution of \$10,226,400 represents an actuarially determined estimate of premiums and claims paid on behalf of 814 retirees.

Annual OPEB Cost and Net OPEB Obligation - The School District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 11 Other Postemployment Benefits - Continued

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

Annual Required Contribution		\$	33,250,149
Interest on net OPEB obligation			5,252,220
Adjustment to annual required contribution			<u>(7,593,410)</u>
Annual OPEB Cost (Expense)			30,908,959
Expected employer contributions			<u>(10,226,400)</u>
Increase in Net OPEB Obligation			20,682,559
Net OPEB Obligation - July 1, 2016			<u>131,305,495</u>
Net OPEB Obligation - June 30, 2017		\$	<u>151,988,054</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 30,908,959	33.09%	\$ 151,988,054
6/30/2016	26,279,112	36.22%	131,305,495
6/30/2015	25,378,286	35.96%	114,544,361

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$347,853,358; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$49,690,566 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 700.0%.

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 healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 11* Other Postemployment 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 Report, the projected unit credit actuarial cost method was used. The actuarial value of assets was determined as the accumulation of prior accruals less benefits paid. Actuarial assumptions included an annual discount rate of 4%. Additional actuarial assumptions included an annual medical cost trend rate of 7.5% initially, ending at an ultimate rate of 3.886% after 59 years.

***Note 12* Commitments and Contingencies**

Risk Financing and Related Insurance - General Information

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

Health Insurance

The School District joined the New York 44 Health Benefit Trust to provide health insurance coverage for School District employees

The NY44 Health Benefits Plan Trust (Trust) was established in 2003 as a federal tax exempt Article 44 Trust to contain health care costs at Erie 1 BOCES. The Trust later expanded to employees and eligible retirees of not only Erie 1 BOCES but also to schools throughout New York State. Beginning its tenth year of operation, and having achieved self-funded status in January 2008, the Trust has grown to approximately 14,000 enrollees in 50 participating schools districts, BOCES and community colleges representing more than 177 bargaining units. The plan, overseen by the New York Insurance Department, is controlled by 10 trustees who are employees of Erie 1 BOCES and represent all participating schools: five appointed by the labor organizations and five appointed by Erie 1 BOCES' administration. Because the Trust is jointly run, both union and management have an equal say in how it operates, including decisions about benefits offered to the members and annual contribution rates charged to the school. As a self-funded plan, the Trust benefits from having contribution rates which more closely reflect the actual health claims experience of the Trust's covered employees as opposed to a traditional insurance plan, employing a community rating.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 12* Commitments and Contingencies - Continued**

Health Insurance - Continued

All current employees and retirees under the age of 65 are covered by NY44. For retirees over the age of 65, they have the choice of NY44 or MVP Medicare Advantage Plan. The MVP plan in many ways mirrors the coverage of NY44. A member district may withdraw from the Plan with a one year written notice to the Plan, in the form of a resolution passed by the School District's Board of Education. The withdrawal must be approved by the remaining Plan members.

During the year ended June 30, 2017, the School District incurred premiums or contribution expenditures totaling \$19,579,718.

Other Items

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

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 13 Fund Balance Detail

At June 30, 2017, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Special Aid Fund</u>	<u>Capital Fund</u>	<u>Debt Service Fund</u>
Nonspendable					
Inventory	\$	\$ 181,816	\$	\$	\$
Prepays	2,362,783		6,886		
Total Nonspendable Fund Balance	\$ 2,362,783	\$ 181,816	\$ 6,886	\$ -	\$ -
Restricted					
Retirement contribution reserve	\$ 7,006,312				\$
Tax certiorari reserve	354,535				
Unemployment insurance reserve	605,607				
Workers compensation reserve	1,501,353				
Insurance reserve	1,701,533				
Employee benefit accrued liability reserve	728,942				
Capital reserve	6,715,688			3,436,759	
School lunch		599,612			
Debt					11,926,686
Total Restricted Fund Balance	\$ 18,613,970	\$ 599,612	\$ -	\$ 3,436,759	\$ 11,926,686
Assigned					
Encumbered for:					
General support	\$ 93,542				\$
Instruction	571,515				
Pupil transportation	985				
Total Assigned Fund Balance	\$ 666,042	\$ -	\$ -	\$ -	\$ -
Unassigned					
Reserve for tax reduction	\$ 427,130				\$
Remaining unassigned	5,088,080		(6,886)		
Total Unassigned Fund Balance	\$ 5,515,210	\$ -	\$ (6,886)	\$ -	\$ -

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 14 Reserved Fund Balances

Portions of restricted fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity of the General Fund and Debt Service Fund reserves, for the year ended June 30, 2017, were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Retirement contribution reserve	\$ 7,000,000	\$	\$ 6,312	\$	\$ 7,006,312
Unemployment insurance reserve	605,061		546		605,607
Tax certiorari reserve	354,334	131,588	201	(131,588)	354,535
Capital reserve	3,537,569	3,178,119			6,715,688
Insurance reserve	1,700,000		1,533		1,701,533
Workers compensation reserve	1,500,000		1,353		1,501,353
Employee benefit reserve	728,285		657		728,942
Total Restricted	\$ 15,425,249	\$ 3,309,707	\$ 10,602	\$ (131,588)	\$ 18,613,970
Reserve for Tax Reduction (General Fund - Unassigned)	\$ 426,745	\$ -	\$ 385	\$ -	\$ 427,130

Note 15 Reclassification

Certain amounts presented for the year ended June 30, 2016 have been reclassified to conform to the current year's presentation.

Note 16 Restatement

The School District's June 30, 2016 net position has been restated to reflect the following corrections:

Net Position Beginning of Year	\$ 14,945,806
Correction of prior year - Accumulated depreciation	(1,820,116)
Correction of prior year - Buildings	9,100,581
Correction of prior year - Construction in progress	<u>(9,351,566)</u>
Net Position Beginning of Year, as Restated	\$ <u>12,874,705</u>

During the current year audit, construction in progress was overstated in the prior year by \$9,351,566 and buildings were understated by \$9,100,581 due to \$9,100,581 in capital projects from prior years that were not reclassified out of construction in progress to buildings. Accordingly, accumulated depreciation on these assets was understated by \$1,820,116. As a result of the above adjustments, June 30, 2016 net position was reduced \$(2,071,101).

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 17 Tax Abatements

For the year ended June 30, 2017, property in the School District was subject to property tax abatements negotiated by the Chemung County Industrial Development Agency (CCIDA).

CCIDA enters into PILOT agreements with businesses within Chemung County under New York State General Municipal Law 858. Economic development agreements entered into by CCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which CCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

Information relevant to disclosure of the program for the year ended June 30, 2017 is as follows:

	<u>Taxable Assesed</u>	<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Chemung County Industrial Development Agency					
3107 Group LLC.	\$ 682,000	23.85	\$ 16,264	\$ 9,473	\$ 6,791
Anchor Glass Container Co.	4,200,000	23.84	100,142	22,275	77,867
Arnot Ogden Medical Center - Falck Cancer Center	252,000	23.85	6,010	6,010	-
Arnot Ogden Medical Center - Womens Health Center	387,168	23.85	9,233	9,233	-
CAF USA, Inc.	126,000	23.85	3,005	1,502	1,503
Elmira Eastowne Mall	1,480,000	23.85	35,294	18,649	16,645
Elm Chevrolet	370,000	23.85	8,823	4,412	4,411
FM Howell and Company	256,000	23.85	6,105	3,052	3,053
Fennell Properties, LLC.	806,000	23.85	19,221	9,610	9,611
International Brotherhood of Electrical Workers	840,000	23.85	20,032	10,016	10,016
National Tax Search	5,820,000	23.85	138,791	39,945	98,846
New York Beauty and Barber Academy, LLC.	75,600	23.84	1,803	596	1,207
New York Beauty and Barber Academy, LLC.	166,500	23.85	3,971	-	3,971
Park Terrace Apartments Associates	1,400,000	19.79	27,710	9,582	18,128
Southern Tier Custom Fabricators, Inc.	398,000	23.85	9,491	4,936	4,555
William Lake Properties, LLC.	332,000	23.85	7,917	4,555	3,362
1580 Lake Street, LLC.	1,300,000	23.85	31,001	17,898	13,103
Total PILOT Agreements	\$ 18,891,268		\$ 444,813	\$ 171,744	\$ 273,069

Note 18 Subsequent Events

On August 30, 2017, the School District issued \$10,000,000 of bond anticipation notes (BAN) due June 28, 2018. The BAN yields 2.25% interest and the proceeds will be used to fund approved capital projects within the School District.

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real property taxes	\$ 24,421,116	\$ 25,539,689	\$ 25,364,168	\$ (175,521)
Other tax items	8,972,892	7,844,896	7,820,062	(24,834)
Charges for services	130,000	130,000	489,784	359,784
Use of money and property	134,450	134,450	237,494	103,044
Sale of property and compensation for loss	20,000	20,000	53,044	33,044
Miscellaneous	1,928,000	1,581,497	1,865,316	283,819
Interfund revenues	25,000	25,000	91,106	66,106
Total Local Sources	<u>35,631,458</u>	<u>35,275,532</u>	<u>35,920,974</u>	<u>645,442</u>
State sources	86,437,214	86,787,214	90,016,840	3,229,626
Medicaid reimbursement	300,000	300,000	365,710	65,710
Federal sources	205,000	205,000	190,251	(14,749)
Total Revenues	<u>122,573,672</u>	<u>122,567,746</u>	<u>126,493,775</u>	<u>3,926,029</u>
OTHER FINANCING SOURCES				
Operating transfers in	540,766	540,766		(540,766)
Total Revenues and Other Financing Sources	<u>123,114,438</u>	<u>123,108,512</u>	<u>\$ 126,493,775</u>	<u>\$ 3,385,263</u>
Appropriated Reserves		402,965		
Encumbrances Carried Forward from Prior Year	517,542	517,542		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$ 123,631,980</u>	<u>\$ 124,029,019</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES		
General Support		
Board of Education	\$ 61,725	\$ 40,337
Central administration	<u>265,517</u>	<u>263,425</u>
Finance	<u>1,349,736</u>	<u>1,332,661</u>
Staff	<u>1,136,219</u>	<u>1,065,037</u>
Central services	<u>11,581,009</u>	<u>11,214,662</u>
Special items	<u>2,532,318</u>	<u>2,632,494</u>
Total General Support	<u>16,926,524</u>	<u>16,548,616</u>
Instruction		
Instruction, administration, and improvement	<u>4,730,062</u>	<u>4,900,491</u>
Teaching - Regular school	<u>28,311,189</u>	<u>29,125,885</u>
Programs for children with handicapping conditions	<u>11,535,035</u>	<u>10,515,405</u>
Occupational education	<u>2,723,298</u>	<u>2,733,709</u>
Teaching - Special school	<u>1,049,341</u>	<u>1,049,581</u>
Instructional media	<u>1,281,768</u>	<u>1,863,001</u>
Pupil services	<u>4,328,634</u>	<u>4,636,498</u>
Total Instruction	<u>53,959,327</u>	<u>54,824,570</u>
Pupil Transportation	<u>4,498,513</u>	<u>4,536,658</u>
Community Services	<u>516,576</u>	<u>294,159</u>
Employee Benefits	<u>32,710,446</u>	<u>29,191,485</u>
Debt Service		
Principal	<u>12,645,000</u>	<u>15,233,318</u>
Interest	<u>2,375,594</u>	<u>2,615,713</u>
Total Debt Service	<u>15,020,594</u>	<u>17,849,031</u>
Total Expenditures	<u>123,631,980</u>	<u>123,244,519</u>
OTHER FINANCING USES		
Operating transfers out	<u>-</u>	<u>784,500</u>
Total Expenditures and Other Financing Uses	<u>\$ 123,631,980</u>	<u>\$ 124,029,019</u>
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 35,328	\$	\$ 5,009
259,982	314	3,129
1,323,972		8,689
959,747		105,290
10,566,185	93,228	555,249
2,614,032		18,462
15,759,246	93,542	695,828
4,861,197		39,294
28,294,917	487,795	343,173
10,265,050		250,355
2,733,709		-
837,184	59,468	152,929
1,827,986	2,003	33,012
4,409,560	22,249	204,689
53,229,603	571,515	1,023,452
4,404,857	985	130,816
244,744		49,415
28,366,348		825,137
15,233,318		-
2,615,712		1
17,849,030	-	1
119,853,828	666,042	2,724,649
778,767	-	5,733
120,632,595	\$ 666,042	\$ 2,730,382
5,861,180		
21,296,825		
\$ 27,158,005		

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,751,188	\$ 2,532,285	\$ 1,691,765
Contributions in relation to the contractually required contribution	(1,751,188)	(2,532,285)	(1,691,765)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll for year ending June 30,	11,678,424	11,749,724	9,949,105
Contributions as a percentage of covered - employee payroll	15.0%	21.6%	17.0%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,033,690	\$ 4,545,078	\$ 5,974,257
Contributions in relation to the contractually required contribution	(4,033,690)	(4,545,078)	(5,974,257)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll for year ending June 30,	34,417,150	34,276,606	34,080,188
Contributions as a percentage of covered - employee payroll	11.7%	13.3%	17.5%

See Independent Auditor's Report and Notes to Required Supplementary Information

2014	2013	2012	2011	2010	2009	2008
\$ 1,836,513	\$ 1,207,738	\$ 1,191,314	\$ 823,267	\$ 1,029,209	\$ 906,228	\$ 906,288
(1,836,513)	(1,207,738)	(1,191,314)	(823,267)	(1,029,209)	(906,228)	(906,288)
-	-	-	-	-	-	-
9,733,435	10,902,517	11,954,991	12,201,070	12,063,370	11,169,589	10,892,885
18.9%	11.1%	10.0%	6.7%	8.5%	8.1%	8.3%

2014	2013	2012	2011	2010	2009	2008
\$ 5,217,189	\$ 3,936,701	\$ 4,328,172	\$ 3,654,686	\$ 2,612,487	\$ 3,162,632	\$ 3,546,000
(5,217,189)	(3,936,701)	(4,328,172)	(3,654,686)	(2,612,487)	(3,162,632)	(3,546,000)
-	-	-	-	-	-	-
32,105,778	33,249,164	38,957,444	42,397,749	42,204,960	41,449,961	40,618,557
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	0.039196%	0.042638%	0.034534%
School District's proportionate share of the net pension (asset) liability	\$ 3,682,937	\$ 6,843,572	\$ 1,166,657
School District's covered payroll	11,586,157	11,749,724	9,949,105
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	31.8%	58.2%	11.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability	94.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	0.22213%	0.22688%	0.21735%
School District's proportionate share of the net pension (asset) liability	\$ 2,379,085	\$ (23,565,418)	\$ (24,211,285)
School District's covered payroll	34,417,150	34,276,606	34,080,188
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	6.9%	-68.8%	-71.0%
Plan fiduciary net position as a percentage of the total pension (asset) liability	99.0%	-110.5%	-111.5%

See Independent Auditor's Report and Notes to Required Supplementary Information

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE YEARS ENDED JUNE 30, 2017

Year End	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2017	7/01/2016	\$ -	\$ 347,853,358	\$ 347,853,358	N/A	\$ 49,690,566	700.0%
6/30/2016	7/01/2014	-	303,023,655	303,023,655	N/A	48,570,338	623.9%
6/30/2015	7/01/2014	-	289,573,670	289,573,670	N/A	46,394,990	624.1%
6/30/2014	7/01/2012	-	297,490,405	297,490,405	N/A	45,110,192	659.5%
6/30/2013	7/01/2012	-	262,328,714	262,328,714	N/A	45,218,198	580.1%

See Independent Auditor's Report and Notes to Required Supplementary Information

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 1 **Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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.

The following supplemental appropriations occurred during the year:

Adopted budget	\$ 123,114,438
Carryover encumbrances	<u>517,542</u>
Original Budget	123,631,980
Use of reserves	131,588
Use of fund balance	271,377
Donations	<u>3,497</u>
Total Additions	<u>406,462</u>
Tax levy adjustment	<u>(9,423)</u>
Total Deductions	<u>(9,423)</u>
Final Budget	<u>\$ 124,029,019</u>

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

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 **Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 3 Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4 Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability

The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability NYSLRS:

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS:

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS - Continued:

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based on book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.										
Asset valuation method	Five-year phased in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.										
Inflation	2.5%										
Project salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Service</th> <th style="text-align: center; border-bottom: 1px solid black;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">4.72%</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">3.46%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">2.37%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">1.90%</td> </tr> </tbody> </table>	Service	Rate	5	4.72%	15	3.46%	25	2.37%	35	1.90%
Service	Rate										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.										
Projected cost of living adjustments	1.5% compounded annually										

ELMIRA CITY SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 123,114,438
Prior year's encumbrances	<u>517,542</u>
Original Budget	<u>123,631,980</u>
Gifts and donations	<u>3,497</u>
Appropriated reserves	<u>131,588</u>
Appropriated fund balance	<u>271,377</u>
Total Additions	<u>406,462</u>
Tax levy adjustment	<u>(9,423)</u>
Total Deductions	<u>(9,423)</u>
Final Budget	<u><u>\$ 124,029,019</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	<u><u>\$ 127,201,994</u></u>	
Maximum allowed (4% of the 2017-2018 budget)	\$ 5,088,080	
General Fund fund balance subject to §1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 666,042	
Unassigned fund balance	<u>5,515,210</u>	
Total Unrestricted Fund Balance	<u>6,181,252</u>	
Less:		
Tax reduction reserve	\$ 427,130	
Encumbrances included in assigned fund balance	<u>666,042</u>	
Total Adjustments	<u>1,093,172</u>	
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u><u>\$ 5,088,080</u></u>	
Actual Percentage		4.0%

See Independent Auditor's Report

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEARS ENDED JUNE 30, 2017

PROJECT TITLE	Expenditures				
	Original Budget	Revised Budget	Prior Years	Current Year	Total
R-47 Projects	\$ 4,500,000	\$ 4,500,000	\$ 4,529,659	\$	\$ 4,529,659
H-47 Projects	95,478,318	95,478,318	93,530,672	1,656,841	95,187,513
Ernie Davis Fire		880,127	880,127		880,127
EFA Accident		18,095	18,095		18,095
Capital Outlay Phase One	2,000,000	782,751	782,751		782,751
Capital Outlay Phase Two		1,217,249	112,416	827,782	940,198
Emergency Fire Alarms	85,901	85,901	85,901	456	86,357
District-wide 2016	51,000,000	51,000,000		4,101,437	4,101,437
Smart School	10,005	802,836	10,005	792,831	802,836
Property Purchase	271,377	271,377		271,377	271,377
Subtotal	153,345,601	155,036,654	99,949,626	7,650,724	107,600,350
Unredeemed BANs					
Total	\$ 153,345,601	\$ 155,036,654	\$ 99,949,626	\$ 7,650,724	\$ 107,600,350

* Architectural and State approved budget modification for sub-project reallocations not yet finalized and available at this report date.

See Independent Auditor's Report

Unexpended (Overexpended) Balance	Methods of Financing			Total	Fund Balance (Deficit) June 30, 2017
	Proceeds of Obligations	State Aid	Local Sources		
\$ (29,659)	\$ 29,659	\$	\$ 4,500,000	\$ 4,529,659	\$ - *
290,805	74,000,341	5,454,543	15,993,774	95,448,658	261,145 *
-			880,127	880,127	-
-			18,095	18,095	- *
-			782,751	782,751	- *
277,051			1,217,249	1,217,249	277,051 *
(456)			86,357	86,357	- *
46,898,563			8,000,000	8,000,000	3,898,563 *
-		802,836		802,836	- *
-			271,377	271,377	- *
47,436,304	74,030,000	6,257,379	31,749,730	112,037,109	4,436,759
	(1,000,000)			(1,000,000)	(1,000,000)
\$ 47,436,304	\$ 73,030,000	\$ 6,257,379	\$ 31,749,730	\$ 111,037,109	\$ 3,436,759

ELMIRA CITY SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2017

Capital assets, net	\$ <u>161,169,114</u>
Add:	
Amount deferred on refunding	<u>513,973</u>
Deduct:	
Bond anticipation notes	<u>(1,000,000)</u>
Premium on Serial Bonds	<u>(669,206)</u>
Short-term portion of bonds payable	<u>(10,335,000)</u>
Long-term portion of bonds payable	<u>(54,255,000)</u>
Net Investment in Capital Assets	\$ <u><u>95,423,881</u></u>

See Independent Auditor's Report

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

Board of Education
Elmira City School District
Elmira, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmira City School District (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated September 22, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 22, 2017

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

Board of Education
Elmira City School District
Elmira, New York

Report on Compliance for Each Major Federal Program

We have audited Elmira City School District’s (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2017. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the 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.

Report on Internal Control over Compliance

Management of the 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 the 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 with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 22, 2017

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEARS ENDED JUNE 30, 2017

<u>Federal Grantor/Pass -Through Program Title</u>	<u>Federal CFDA #</u>	<u>Pass -Through Grantor #</u>	<u>Passed -Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Education:				
Title I Grants for School Improvements	84.010	0011172050	\$	\$ 326,064
Title I Grants for School Improvements	84.010	0011162044		207,538
Title I Grants to Local Educational Agencies	84.010	0021170410		2,776,951
Title I Grants to Local Educational Agencies	84.010	0021160410		132,353
Total Title I		Subtotal		<u>3,442,906</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	0032170118		2,072,144
Special Education - Grants to States	84.027	0032160118		17,371
		Subtotal		<u>2,089,515</u>
Special Education - Preschool Grants	84.173	0033170118		85,327
Special Education - Preschool Grants	84.173	0033160118		925
		Subtotal		<u>86,252</u>
Total Special Education Cluster		Subtotal		<u>2,175,767</u>
Improving Teacher Quality State Grants	84.367	0147170410		109,266
Improving Teacher Quality State Grants	84.367	0147160410		19,908
		Subtotal		<u>129,174</u>
21st Century Community Learning Centers	84.287	0187176102		472,511
21st Century Community Learning Centers	84.287	0187166102		19
		Subtotal		<u>472,530</u>
Total U.S. Department of Education				<u>6,220,377</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	Unknown		2,677,760
Summer Food Program for Children	10.559	Unknown		81,783
School Breakfast Program	10.553	Unknown		601,070
Total Child Nutrition Cluster		Subtotal		<u>3,360,613</u>
Child Nutrition Equipment	10.579	0005170016		8,690
Child Nutrition Equipment	10.579	0005160016		8,035
		Subtotal		<u>16,725</u>
Total U.S. Department of Agriculture				<u>3,377,338</u>
Total Expenditures of Federal Awards			\$	<u> - </u>
				<u> 9,597,715 </u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

ELMIRA CITY SCHOOL DISTRICT

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

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs administered by the Elmira City School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from Federal agencies, as well as Federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by Federal program consistent with the underlying regulations pertaining to each program. 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* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a Federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2017, the School District received \$236,417 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

ELMIRA CITY SCHOOL DISTRICT

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

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance? _____ yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.287	21st Century Community Learning Centers

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

Auditee qualified as low-risk? yes _____ no

Section II - Financial Statement Findings: None

Section III - Federal Award Findings and Questioned Costs: None