

**CITY SCHOOL DISTRICT OF  
THE CITY OF ALBANY**

**Financial Statements and Required Reports  
Under Uniform Guidance as of  
June 30, 2018  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited).....	4-14
FINANCIAL STATEMENTS	
Statement of net position .....	15
Statement of activities .....	16
Balance sheet – governmental funds.....	17-18
Reconciliation of total governmental fund balance to government-wide net position .....	19
Statement of revenue, expenditures, and change in fund balance – governmental funds..	20
Reconciliation of the statement of revenue, expenditures, and change in fund balance to the statement of activities.....	21
Statement of fiduciary net position - Fiduciary funds .....	22
Statement of change in net position - Fiduciary funds.....	22
Notes to financial statements.....	23-52
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of revenue, expenditures, and change in fund balance – budget and actual - general fund.....	53-54
Schedule of proportionate share of net pension liability (asset).....	55
Schedule of contributions – pension plans.....	56
Schedule of changes in total OPEB liability and related ratios.....	57
OTHER INFORMATION (UNAUDITED)	
Schedule of change from original budget to revised budget – general fund .....	58
Schedule of Section 1318 of Real Property Tax Law Limit calculation – general fund.....	58
Schedule of project expenditures - capital projects fund.....	59
Schedule of net investment in capital assets .....	60

**CONTENTS (Continued)**

	<b><u>Page</u></b>
REQUIRED REPORTS UNDER UNIFORM GUIDANCE	
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 <i>Government Auditing Standards</i> .....	61-62
Independent auditor’s report on compliance for each major federal program; and Report on internal control over compliance required by Uniform Guidance.....	63-64
Schedule of expenditures of federal awards.....	65
Notes to schedule of expenditures of federal awards.....	66
Schedule of prior audit findings.....	67
Schedule of findings and questioned costs .....	68-69

**INDEPENDENT AUDITOR'S REPORT**

September 26, 2018

To the Board of Education of  
City School District of the City of Albany

**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 City School District of the City of Albany (School District) as of and for the year ended June 30, 2018 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 from material misstatement.

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

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

**Opinions**

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

(Continued)

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### Change in Accounting Principle

As discussed in Note 2 to the financial statements, during 2018 the School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Report on Required Supplementary Information*

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

#### *Supplementary 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 other information, listed in the accompanying table of contents, is required by the New York State Education Department and such other information 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 listed in the table of contents is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The supplementary information required by the New York State Education Department has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

## CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

---

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

#### FINANCIAL HIGHLIGHTS

- The School District continues to offer a sound educational plan that supports student achievement.
- The School District maintained its bond rating with Standard and Poor's at A+. Moody's has withdrawn its rating, WR, because all the bonds originally rated by Moody's have since matured or been redeemed through recent refunding
- Revenues increased by 5.3% *government-wide* primarily due to an increase in state aid. State aid increased by approximately \$8.1 million from the prior year.
- Expenditures increased 1.3% *government-wide* primarily in the area of instruction.
- The general fund realized a \$8.77 million surplus when comparing revenues to expenditures for 2017-18 year. On the revenue side, most of the surplus is attributable to a one-time catch-up of past due tax payments from the County. Historically, the County has made the District financially whole over a two-year period for past due taxes. Now the County is paying the District for delinquent taxes even before they are collected in order to claim all the fees and penalties revenue that went to the District in past years. Additional revenues were also recognized from charter school aid and Medicaid reimbursements. On the expenditure side, savings were recognized from staff vacancies and related benefits.
- There will be eight Charter Schools open in the 2018-19 school year, with an estimated enrollment of 2,130 students. The projected cost of the Charter Schools is estimated to be \$34.8 million or 14% of the school budget.
- GASB 75 pertaining to accounting for other post-employment benefits was adopted resulting in a prior period adjustment reducing net position by \$207,038,947.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the government-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other nonmajor funds listed in total in one column.

The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short-term*, as well as what remains for future spending.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

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

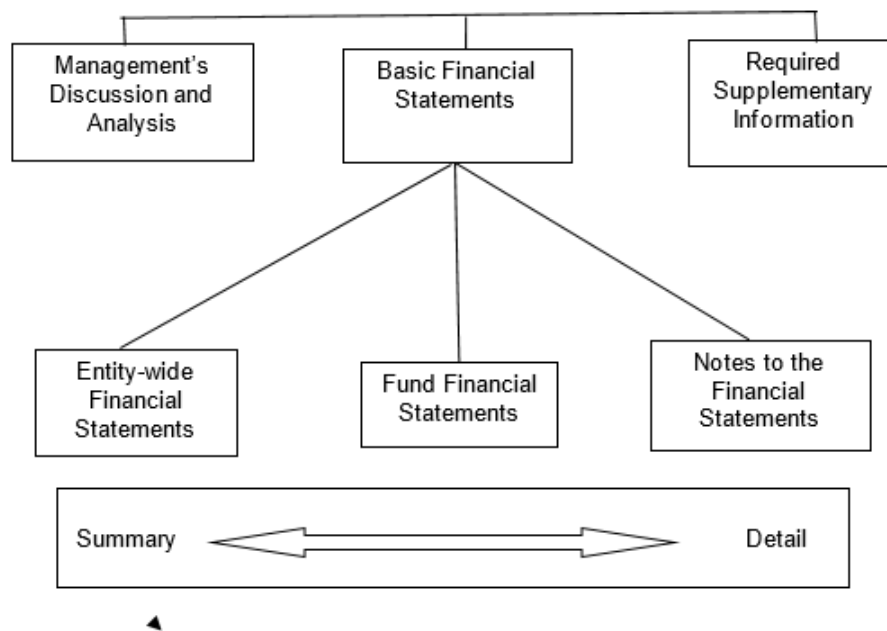


Figure A-2 summarizes the major features of the School District's financial statements, including a portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Figure A-2** Major Features of the Government-Wide and Fund Financial Statements

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

### Government-Wide Statements

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

The two government-wide 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 of resources, liabilities, and deferred inflows of resources – are one way to measure the School District's financial health or position.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Government-Wide Statements (Continued)**

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors, such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

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

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

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's 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 funds have been established by the State of New York.

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 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 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 government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, capital projects fund, and debt service fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

- 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 government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

### Figure A-3 Condensed Statement of Net Position (In Millions of Dollars)

Note – 2017 long-term liabilities have been restated for effect of GASB 75.

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percent <u>Change</u>
Current and other assets	\$ 80.5	\$ 85.1	-5.4%
Non-current assets	<u>244.4</u>	<u>230.5</u>	6.0%
Total assets	<u>324.9</u>	<u>315.6</u>	2.9%
Deferred outflows of resources	<u>68.3</u>	<u>67.6</u>	
Current liabilities	66.7	59.0	13.1%
Long-term liabilities	<u>449.3</u>	<u>475.2</u>	-5.5%
Total liabilities	<u>516.0</u>	<u>534.2</u>	-3.4%
Deferred inflows of resources	<u>35.1</u>	<u>4.7</u>	
Net position:			
Net investment in capital assets	111.8	108.9	2.7%
Restricted	28.3	20.9	35.4%
Unrestricted	<u>(298.1)</u>	<u>(285.5)</u>	4.4%
Total net position	<u>\$ (158.0)</u>	<u>\$ (155.7)</u>	1.5%

- Total assets increased primarily due to the increase in non-current capital assets. Total non-current assets increased 6.0% primarily due capitalization of capital projects and recognition of the TRS pension asset.
- The increase in current liabilities can be attributed to \$31.0 million of BANs payable at June 30, 2018 due to in-progress capital projects.
- The net decrease in long-term liabilities is due to changes in other post-employment liabilities (OPEB) relating to health benefits, the net pension liability and the decrease of outstanding bonds payable due to refunding.
- Net investment in capital assets increased 2.7% primarily due to the capitalization of capital projects net of the related debt.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

### Changes in Net Position

The School District's 2017-2018 revenue was \$265,282,993 (See Figure A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 39% and 40%, respectively, of the total revenue raised (see Figure A-5). The remainder of revenue came from charges for services, operating grants and contributions, non-property taxes, other tax items, and other miscellaneous sources.

The total cost of all programs and services totaled \$267,448,757 for 2017-2018. These expenses are predominately for the education, supervision, food services, and transportation of students (see Figure A-6). The School District's administrative and business activities including debt service accounted for 12% of total costs.

Net position decreased during the year by \$(2,165,980) primarily due to the increase of instructional expenses, such as salary and benefits.

**Figure A-4 Changes in Net Position from Operating Results (In Millions of Dollars)**

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percent <u>Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 2.3	\$ 2.2	4.5%
Operating grants and contributions	26.8	24.0	11.7%
General revenue:			
Taxes	125.4	123.4	1.6%
State formula aid	105.2	97.1	8.3%
Interest earnings	0.5	0.2	150.0%
Miscellaneous	5.1	5.0	2.0%
Total revenue	<u>265.3</u>	<u>251.9</u>	5.3%
<u>Expenses</u>			
General support	27.7	30.3	-8.6%
Instruction	220.3	214.7	2.6%
Transportation	9.3	8.6	8.1%
Debt service - Interest	5.1	5.5	-7.3%
School lunch program	5.0	4.9	2.0%
Total expenses	<u>267.4</u>	<u>264.0</u>	1.3%
Increase (decrease) in net position	<u>\$ (2.1)</u>	<u>\$ (12.1)</u>	82.6%

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

The School District's 2017-2018 revenues totaled \$265.3 million as compared to \$251.9 million for the previous year. While state aid and program revenue increased by \$8.1 million, the School District also saw an increase of \$2.8 million of revenue in the areas of operating grants and contributions.

Total expenditures increased \$3.4 million or 1.3% from prior year, mostly in the area of instruction.

Figure A-5:

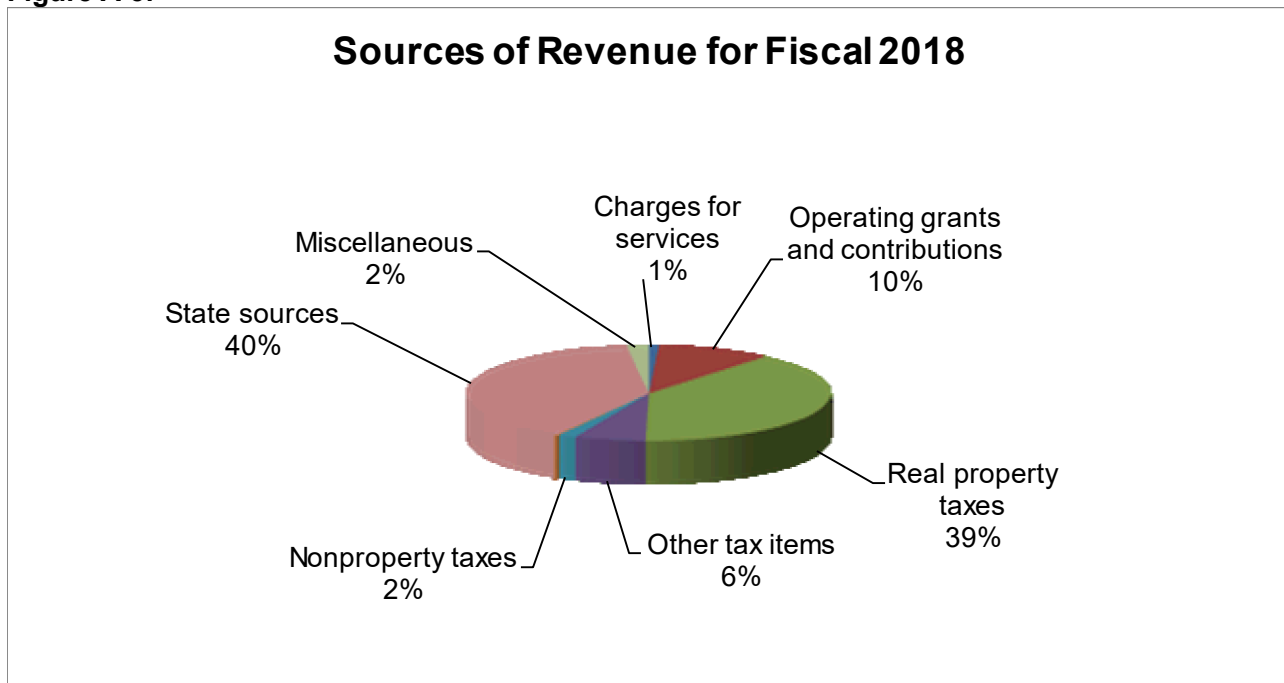
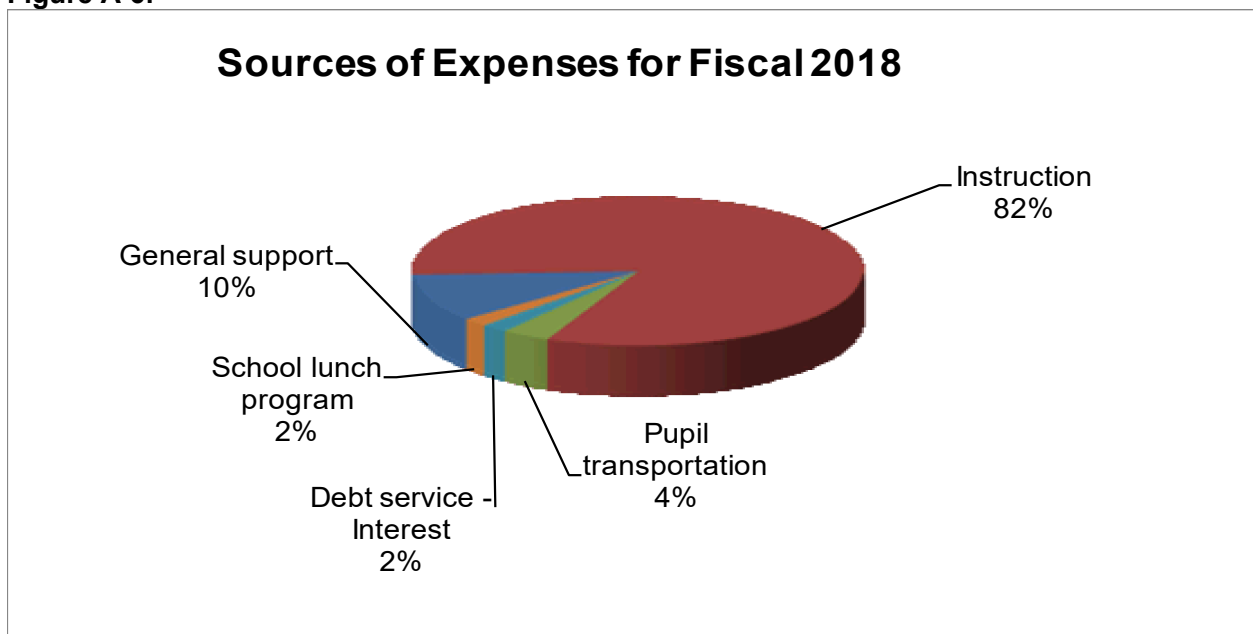


Figure A-6:



## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

### Governmental Activities

Revenue for the School District's governmental activities totaled \$265,282,993 while total expenses were \$267,448,757. Accordingly, net position decreased by \$(2,165,980). Overall revenues increased 5.3% from the prior year.

The School District's 2017-2018 revenues totaled \$265.3 million as compared to \$251.9 million for the previous year. While state aid increased by 8.3%, operating grants increased \$2.8 million.

Total expenditures increased \$3.4 million from the prior year primarily in the area of instructional staffing and related items.

### Figure A-7

#### Net Cost of Governmental Activities (In Millions of Dollars)

	Total Cost Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost Services <u>2017</u>	Net Cost of Services <u>2017</u>
General support	\$ 27.7	\$ 27.7	\$ 30.3	\$ 30.3
Instruction	220.3	196.7	214.7	194.1
Pupil transportation	9.3	9.3	8.6	8.6
Debt service - Interest	5.1	5.1	5.5	5.5
School lunch program	5.0	(0.6)	4.9	(0.8)
	<u>\$ 267.4</u>	<u>\$ 238.2</u>	<u>\$ 264.0</u>	<u>\$ 237.7</u>

- The cost of all governmental activities for the year was \$267,448,757.
- The users of the School District's programs financed \$2,290,154 of the costs.
- The federal and state government financed \$26,827,013 of the costs.
- The majority of costs were financed by the School District's taxpayers and unallocated NYS aid.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the government-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt (see Statement of Revenue, Expenditures, and Changes in Fund Equity – Governmental Funds in the attached financial statements).

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

### Governmental Funds Highlights

- General Fund – Revenues increased \$12.6 million in 2017-2018 from prior year, primarily from State Aid and the receipt of past due taxes from the County. The inflows of revenues enabled the District to replenish the Capital Reserve with \$8.5 million of unassigned fund balance. The action to replenish the Reserve will help the District to pay the local share for future capital projects. Expenses increased approximately \$3.6 million primarily in the instructional area and contractual employee benefits.
- Special Aid Fund – The School District's grant portfolio increased \$2.8 million from prior year. Grants for persistently struggling schools contributed to this increase.
- School Lunch Fund – The School District contracts with an external management company for food service operations. The program is financially self-sustaining.
- Capital Projects Fund – Activity in the capital projects fund increased due to construction activities relating to the \$179.9 million high school reconstruction/renovation project.
- Debt Service Fund – Except for the high school project, most project costs have been financed as of 2017-2018 year-end. The School District refunded bonds on past capital projects to obtain lower interest rates and lower interest expenses in future years.

### General Fund Budgetary Highlights

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

### Results vs. Budget (In Millions of Dollars)

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenues:					
Local sources	\$ 128.4	\$ 128.4	\$ 133.9	\$ -	\$ 5.5
State sources	105.0	105.0	105.1	-	0.1
Medicaid	0.8	0.8	2.0	-	1.2
Transfers in	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>-</u>
Total	<u>234.4</u>	<u>234.4</u>	<u>241.2</u>	<u>-</u>	<u>6.8</u>
Expenditures:					
General support	15.1	16.8	16.2	-	0.6
Instruction	152.7	151.4	146.7	0.9	3.8
Pupil transportation	8.9	8.9	8.7	-	0.2
Employee benefits	48.8	48.9	46.2	-	2.7
Debt service	0.3	0.3	0.3	-	-
Transfers out	<u>14.4</u>	<u>14.4</u>	<u>14.4</u>	<u>-</u>	<u>-</u>
Total	<u>240.2</u>	<u>240.7</u>	<u>232.5</u>	<u>0.9</u>	<u>7.3</u>
Revenues over (under) expenditures	<u>\$ (5.8)</u>	<u>\$ (6.3)</u>	<u>\$ 8.7</u>	<u>\$ (0.9)</u>	<u>\$ 14.1</u>

Note: Amounts may vary due to rounding.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

### Governmental Funds Highlights (Continued)

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

- The General Fund had a surplus of revenues over expenditures of approximately \$8.7 million. The revenue surplus is due to the County making the District whole on all outstanding school taxes. In prior years, the County made payments over a two-year period. The District also underspent the budget which resulted in savings in the areas of salaries, benefits and charter school tuition.
- The School District continues to take the unrestricted portion of fund balance into consideration when preparing subsequent budgets to ease the tax burden.
- In response to the uncertain fiscal climate, the School District continued to closely monitor and control expenditures throughout the year.

### Capital Assets

As of June 30, 2018, the School District had \$240,367,826 invested in buildings, computers, and other educational equipment.

#### Figure A-8

#### Capital Assets (Net of Depreciation, in Millions of Dollars)

<u>Category</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Percent Change</u>
Land and land improvements	\$ 12.5	\$ 10.6	17.9%
Buildings	324.5	308.7	5.1%
Furniture and equipment	3.3	3.2	3.1%
Vehicles	<u>1.0</u>	<u>0.9</u>	11.1%
Total	341.3	323.4	5.5%
Less: Accumulated depreciation	<u>100.8</u>	<u>92.9</u>	8.5%
Net capital assets	<u>\$ 240.5</u>	<u>\$ 230.5</u>	4.3%

### Long-Term Debt

As of June 30, 2018, the School District had \$459.6 million in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the financial statements. The School District, because of its status as a small city school, is limited to issuing debt of no greater than 5% of its full assessed value. Currently, the School District is below its debt limit.

#### Figure A-9

#### Outstanding Long-Term Debt (In Millions of Dollars)

<u>Category</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
General obligation bonds (financed with property taxes)	\$ 106.4	\$ 116.5
Other long-term debt	<u>353.2</u>	<u>368.7</u>
Total	<u>\$ 459.6</u>	<u>\$ 485.2</u>



## **FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

- The School District has been studying enrollment and has held numerous public meetings over the past three years to discuss the possibility of creating another middle school. A referendum is tentatively planned for May of 2019. The additional middle school space would address growing enrollment at the middle school level and complete the relocation of remaining 6<sup>th</sup> grades housed in PreK – 6 elementary buildings. The relocation of 6<sup>th</sup> grades to 6 – 8 grade buildings will strengthen instructional programming. In anticipation of this project, the District has accumulated funding in its Capital Reserve to cover a large portion of the local tax share on such a project.
- The School District recently settled multiyear labor contracts with its two largest bargaining units that represent the teachers and support staff.
- Charter Schools continue to drain the School District's financial resources and inhibit its ability to effectively plan for enrollment and staffing levels on an annual basis. In the spring of 2015 two charter middle schools closed abruptly which forced the School District to purchase a building to accommodate the incoming students. Most recently, another charter school is expanding from middle school into the elementary grade levels. Long-term, as charter students' return to the District, the financial picture of the School District will improve.
- In February of 2016, the voters passed a referendum in the amount of \$179.9 million to reconstruct and renovate the existing high school building. The construction relating to the project begin in the fall of 2017 and will extend to 2025. Occupancy in the new additions will occur as they are completed.
- As is typical in a District this size, its challenges to property tax assessments are ongoing which will require the issuance of future tax refunds. While the amount of these potential refunds cannot be determined at the present time, the School District continues in its financial planning to anticipate these undetermined expenditures and has the ability to use reserves as necessary.
- In 2012 the New York State Legislature passed a 2% tax cap law without any corresponding relief from mandated expenditures. On a regular basis, public school districts face new unfunded mandates, and escalating costs that far exceed 2% in the areas of personnel, energy, health insurance, retirement benefits, and charter school tuition. All of these items are mandated. In recent years, the tax cap calculation has yielded tax caps far below 2%.
- The School District performs multiyear financial planning and has effectively used reserves and financial gains to off-set some future expenditures, which helps to minimize the financial impact to taxpayers.

## **CONTACTING THE SCHOOL DISTRICT'S FINANCE 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 received. If you have any questions about this report or need additional financial information, contact:

City School District of the City of Albany, New York  
Attn: Assistant Superintendent for Business Affairs  
Academy Park  
Albany, New York 12207  
(518) 475-6020

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**STATEMENT OF NET POSITION  
JUNE 30, 2018**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:

Cash - Unrestricted	\$ 20,555,951
Cash - Restricted	28,309,002
Investments	9,946,858
Taxes receivable	4,843
State and federal aid receivable	13,692,870
Due from other governments, net	1,813,213
Other receivables, net	404,164
Inventory	51,021
Prepaid expenses	<u>5,662,647</u>
Total current assets	<u>80,440,569</u>

NON-CURRENT ASSETS:

Net pension asset - TRS	4,027,038
Capital assets, net	<u>240,367,826</u>
Total noncurrent assets	<u>244,394,864</u>
Total assets	<u>324,835,433</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - TRS Pension	53,641,071
Deferred outflows of resources - ERS Pension	6,049,170
Deferred loss on bond refunding	<u>8,573,788</u>
Total deferred outflows of resources	<u>68,264,029</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:

Accounts payable	9,397,703
Retainage payable	161,905
Accrued liabilities	4,307,629
Accrued interest	819,469
Unearned revenue	6,466
Overpayments and collections in advance	98,134
Due to teachers' retirement system	9,235,807
Due to employees' retirement system	679,592
BAN payable	31,053,839
Current portion of compensated absences payable	610,196
Current portion of workers compensation payable	717,122
Bonds payable due within one year	<u>9,580,000</u>
Total current liabilities	<u>66,667,862</u>

LONG-TERM LIABILITIES, net of current position

Bonds payable, less current portion	96,775,933
Bonds premium, net	13,227,278
Compensated absences	10,778,218
Accrued workers' compensation	746,831
Net pension liability - ERS	2,144,062
Other postemployment benefits obligation	<u>325,591,670</u>
Total long-term liabilities	<u>449,263,992</u>
Total liabilities	<u>515,931,854</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - ERS Pension	6,902,956
Deferred inflows of resources - TRS Pension	13,473,164
Deferred inflows of resources - other postemployment benefits	<u>14,756,362</u>
Total deferred inflows of resources	<u>35,132,482</u>

**NET POSITION**

Net investment in capital assets	111,807,447
Restricted	28,309,160
Unrestricted	<u>(298,081,697)</u>
TOTAL NET POSITION	<u>\$ (157,965,090)</u>

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		<i>Net (Expense) Revenue and Changes in Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants</i>	
FUNCTIONS/PROGRAMS:				
General support	\$ 27,749,040	\$ 7,725	\$ -	\$ (27,741,315)
Instruction	220,302,015	2,244,412	21,343,338	(196,714,265)
Pupil transportation	9,345,267	-	-	(9,345,267)
Debt service - Interest	5,140,775	-	-	(5,140,775)
School lunch program	<u>4,911,660</u>	<u>38,017</u>	<u>5,483,675</u>	<u>610,032</u>
 TOTAL FUNCTIONS AND PROGRAMS	 <u>\$ 267,448,757</u>	 <u>\$ 2,290,154</u>	 <u>\$ 26,827,013</u>	 <u>(238,331,590)</u>
 GENERAL REVENUE:				
Real property taxes				104,285,254
Other tax items				16,805,687
Nonproperty taxes				4,259,266
Use of money and property				518,623
Sale of property and compensation for loss				16,000
Medicaid reimbursement				1,951,802
State sources				105,170,916
Miscellaneous				<u>3,158,062</u>
 TOTAL GENERAL REVENUE				 <u>236,165,610</u>
 CHANGE IN NET POSITION				 (2,165,980)
 TOTAL NET POSITION - beginning of year, as previously reported				 51,239,837
 PRIOR PERIOD ADJUSTMENT (Note 2)				 <u>(207,038,947)</u>
 NET POSITION - beginning of year, as restated				 <u>(155,799,110)</u>
 TOTAL NET POSITION - end of year				 <u>\$ (157,965,090)</u>

The accompanying notes are an integral part of these statements.

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>ASSETS</b>						
Cash - Unrestricted	\$ 8,364,662	\$ -	\$ 3,341,896	\$ 8,849,393	\$ -	\$ 20,555,951
Cash - Restricted	27,181,210	-	-	-	1,127,792	28,309,002
Investments	9,946,858	-	-	-	-	9,946,858
Taxes receivable	4,843	-	-	-	-	4,843
State and federal aid receivable	5,891,827	6,701,766	946,275	152,786	-	13,692,654
Due from other governments, net	1,813,213	-	-	-	-	1,813,213
Due from other funds	5,815,010	-	-	-	158	5,815,168
Other receivables, net	404,164	-	-	-	-	404,164
Inventory	-	-	51,021	-	-	51,021
Prepaid expenditures	5,662,647	-	-	-	-	5,662,647
<b>TOTAL ASSETS</b>	<u>\$ 65,084,434</u>	<u>\$ 6,701,766</u>	<u>\$ 4,339,192</u>	<u>\$ 9,002,179</u>	<u>\$ 1,127,950</u>	<u>\$ 86,255,521</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 6,252,722	\$ 986,980	\$ 540,399	\$ 1,779,507	\$ -	\$ 9,559,608
Accrued liabilities	4,258,489	49,140	-	-	-	4,307,629
Due to other funds	-	5,659,091	155,919	158	-	5,815,168
Due to teachers' retirement system	9,235,807	-	-	-	-	9,235,807
Due to employees' retirement system	679,592	-	-	-	-	679,592
Bond anticipation note payable	-	-	-	31,053,839	-	31,053,839
Compensated absences	610,196	-	-	-	-	610,196
Overpayments	98,134	-	-	-	-	98,134
Unearned revenue	-	6,467	-	-	-	6,467
<b>TOTAL LIABILITIES</b>	<u>21,134,940</u>	<u>6,701,678</u>	<u>696,318</u>	<u>32,833,504</u>	<u>-</u>	<u>61,366,440</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes and state aid	<u>1,207,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,207,856</u>

(Continued)

The accompanying notes are an integral part of these statements.

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

BALANCE SHEET - GOVERNMENTAL FUNDS

(Continued)

JUNE 30, 2018

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>FUND BALANCE:</b>						
Non-spendable:						
Inventory	-	-	51,021	-	-	51,021
Prepaid expenditures	5,662,647	-	-	-	-	5,662,647
Total non-spendable fund balance	5,662,647	-	51,021	-	-	5,713,668
Restricted:						
Workers' compensation	-	-	-	-	-	-
Unemployment insurance	-	-	-	-	-	-
Health insurance claims	609,000	-	-	-	-	609,000
Capital	14,944,000	-	-	-	-	14,944,000
Tax certiorari	1,788,210	-	-	-	-	1,788,210
Employee benefits	9,840,000	-	-	-	-	9,840,000
Debt service	-	-	-	-	1,127,950	1,127,950
Total restricted fund balance	27,181,210	-	-	-	1,127,950	28,309,160
Assigned:						
Unappropriated	920,448	88	3,591,853	(23,831,325)	-	(19,318,936)
Appropriated for subsequent year's expenditures	4,800,000	-	-	-	-	4,800,000
Total assigned fund balance	5,720,448	88	3,591,853	(23,831,325)	-	(14,518,936)
Unassigned	4,177,333	-	-	-	-	4,177,333
TOTAL FUND BALANCE	42,741,638	88	3,642,874	(23,831,325)	1,127,950	23,681,225
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 65,084,434	\$ 6,701,766	\$ 4,339,192	\$ 9,002,179	\$ 1,127,950	\$ 86,255,521

The accompanying notes are an integral part of these statements.

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2018**

---

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balance per above	\$ 23,681,225
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	240,367,826
Deferred loss on bond refundings at June 30, 2017, in government-wide statements using the full accrual method of accounting, not recognized on the fund financial statements, which use the modified accrual method	8,573,788
GASB 68 related government wide activity:	
Deferred outflows of resources	59,690,241
Net pension liability	(2,144,062)
Deferred inflows of resources	(20,376,120)
Net pension asset	4,027,038
Long-term bonds payable are not due in the current period and, therefore, are not reported in the funds	(106,355,933)
Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	(13,227,278)
Compensated absences due in more than one year are recognized as a liability under full accrual accounting	(10,778,218)
Other postemployment benefits are recognized as a liability under full accrual accounting	(325,591,670)
Deferred inflows - other post-employment benefits	(14,756,362)
Long-term liabilities, including accrued workers' compensation are not due and payable in the current period and, therefore, are not reported in the funds	(1,463,953)
Unearned revenue not received in the current year is recognized as revenue under full accrual accounting	1,207,857
Interest payable at June 30, 2017, in the government-wide statements is recorded as an expense under full accrual accounting	<u>(819,469)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (157,965,090)</u></b>

The accompanying notes are an integral part of these statements.

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>REVENUE:</b>						
Real property taxes	\$ 107,603,403	\$ -	\$ -	\$ -	\$ -	\$ 107,603,403
Other tax items	16,805,687	-	-	-	-	16,805,687
Nonproperty taxes	4,259,266	-	-	-	-	4,259,266
Charges for services	1,900,472	-	-	-	-	1,900,472
Use of money and property	202,416	-	-	-	2,199	204,615
Sale of property and compensation for loss	16,000	-	-	-	-	16,000
Miscellaneous	3,154,062	351,665	4,000	-	-	3,509,727
State sources	105,134,791	9,797,311	122,559	36,125	-	115,090,786
Federal sources	-	11,546,027	5,028,186	-	-	16,574,213
Medicaid reimbursement	1,951,802	-	-	-	-	1,951,802
Surplus food	-	-	332,930	-	-	332,930
Sales - School lunch	-	-	38,017	-	-	38,017
<b>Total revenue</b>	<b>241,027,899</b>	<b>21,695,003</b>	<b>5,525,692</b>	<b>36,125</b>	<b>2,199</b>	<b>268,286,918</b>
<b>EXPENDITURES:</b>						
General support	16,211,703	-	-	-	-	16,211,703
Instruction	146,651,175	19,088,563	-	-	-	165,739,738
Pupil transportation	8,684,447	498,428	-	-	-	9,182,875
Employee benefits	46,203,804	2,376,573	579,303	-	-	49,159,680
Debt service - Principal	326,276	-	-	-	9,260,000	9,586,276
Debt service - Interest	17,193	-	-	-	5,430,517	5,447,710
Cost of sales	-	-	4,161,522	-	-	4,161,522
Capital outlay	-	-	-	17,671,390	-	17,671,390
<b>Total expenditures</b>	<b>218,094,598</b>	<b>21,963,564</b>	<b>4,740,825</b>	<b>17,671,390</b>	<b>14,690,517</b>	<b>277,160,894</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>22,933,301</b>	<b>(268,561)</b>	<b>784,867</b>	<b>(17,635,265)</b>	<b>(14,688,318)</b>	<b>(8,873,976)</b>
<b>OTHER SOURCES AND (USES):</b>						
Proceeds from the issuance of refunding bonds	-	-	-	-	16,140,000	16,140,000
Payment to refunding escrow agent	-	-	-	-	(18,468,159)	(18,468,159)
Premium on bond issuance	-	-	-	-	2,867,261	2,867,261
Operating transfers in	224,239	492,797	-	-	13,898,000	14,615,036
Operating transfers (out)	(14,390,797)	(224,239)	-	-	-	(14,615,036)
<b>Total other sources (uses)</b>	<b>(14,166,558)</b>	<b>268,558</b>	<b>-</b>	<b>-</b>	<b>14,437,102</b>	<b>539,102</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>8,766,743</b>	<b>(3)</b>	<b>784,867</b>	<b>(17,635,265)</b>	<b>(251,216)</b>	<b>(8,334,874)</b>
<b>FUND BALANCE - beginning of year</b>	<b>33,974,895</b>	<b>91</b>	<b>2,858,007</b>	<b>(6,196,060)</b>	<b>1,379,166</b>	<b>32,016,099</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 42,741,638</b>	<b>\$ 88</b>	<b>\$ 3,642,874</b>	<b>\$ (23,831,325)</b>	<b>\$ 1,127,950</b>	<b>\$ 23,681,225</b>

The accompanying notes are an integral part of these statements.

## CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

---

Net change in fund balance - Total governmental funds	\$ (8,334,874)
Capital outlays, net of disposals are expenditures in governmental funds, but are capitalized in the statement of net position	17,827,420
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(7,938,016)
Pension expense resulting from GASB 68 related pension reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(1,185,476)
Proceeds of long-term debt recorded as revenue in the governmental funds but are recorded as increases of liabilities in the statements of net assets	(16,140,000)
Net repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	28,054,435
Bond premiums are recorded as revenue in the governmental funds, but not the statement of activities	(2,553,253)
Bond premium amortization is not recorded as revenue in the governmental funds, but is recorded in the statement of activities	1,142,002
Deferred loss on bond refunding amortization is not recorded as expenditures in the governmental funds, but are recorded in the statement of activities	(504,335)
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(8,667,971)
Certain revenue in the statement of activities is recognized as revenue in the government-wide statements but not recognized as revenue under the modified accrual basis of accounting during the prior year	(3,318,150)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	<u>(547,762)</u>
Change in net position - Governmental activities	<u>\$ (2,165,980)</u>

The accompanying notes are an integral part of these statements.



**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Private Purpose Trusts</i>	<i>Agency</i>
<b>ASSETS:</b>		
Cash	\$ -	\$ 156,190
Restricted cash	295,647	212,265
Investment in securities	1,536,848	-
Due from other funds	<u>-</u>	<u>5,730</u>
Total assets	<u>\$ 1,832,495</u>	<u>\$ 374,185</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	-	212,265
Due to other funds	5,730	-
Other liabilities	<u>-</u>	<u>161,920</u>
Total liabilities	<u>\$ 5,730</u>	<u>\$ 374,185</u>
<b>NET POSITION:</b>		
Reserved for scholarships	<u>\$ 1,826,765</u>	

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Private Purpose Trusts</i>
<b>ADDITIONS:</b>	
Gifts and contributions	\$ 5,968
Loss on sale of securities	(1,415)
Investment earnings	<u>22,410</u>
Total additions	26,963
<b>DEDUCTIONS:</b>	
Scholarships and awards	<u>64,853</u>
Change in net position	(37,890)
NET POSITION - beginning of year	<u>1,864,655</u>
NET POSITION - end of year	<u>\$ 1,826,765</u>

The accompanying notes are an integral part of these statements.

# CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Operations**

The City School District of the City of Albany, New York (School District) provides K-12 public education to students living within its geographic borders.

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

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

#### **Reporting Entity**

The School District is governed by the laws of New York State and is an independent entity governed by an elected Board of Education. 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the 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 following is a brief description of an entity included in the School District's reporting entity:

#### Extraclassroom Activity Funds

The extraclassroom activity funds of the 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 found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation**

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

### Government-Wide 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.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipient of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund 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 fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School District are as follows:

### Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

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

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation (Continued)**

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

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

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of the governmental activities.

### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are not included in the School District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

There are two types of fiduciary funds:

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

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP 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 revenue and expenditures during the reporting period. Estimates and assumptions are made in a variety of areas, including collectability of receivables, compensated absences, potential contingent liabilities, and useful lives of long-lived assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

### **Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Measurement Focus and Basis of Accounting (Continued)

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

Non-exchange transactions in which the 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 grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

### Cash

The School District's cash consists of cash on hand and demand deposits.

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

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

### Investments

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains and losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains or losses in sales of investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year and the current year. Unrealized increase or decrease is computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned and includes amortization of discounts and premiums on interest-bearing instruments that were purchased at a discount or premium. Dividend income is recognized on the paying company's announced ex-dividend date

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Inventory and Prepaid Expenditures**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of 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 Government-wide and fund financial statements. These items are reported as assets on the statement of net assets 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.

**Interfund Transactions**

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

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

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

**Capital Assets, Net**

Capital assets are reported at actual cost for acquisitions subsequent to 2000. For assets acquired prior to 2000, estimated historical costs have been based on appraisal or deflated current replacement cost. Donated assets are reported at estimated fair 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 by asset classification reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	SL	50-75
Building improvement	\$ 5,000	SL	20
Land improvements	\$ 5,000	SL	20
Furniture and equipment	\$ 5,000	SL	5-20
Vehicles	\$ 5,000	SL	8

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate financial statement element, *deferred outflows of resources*, which is presented directly after assets and *deferred inflows of resources* which is presented directly after liabilities. Deferred outflows of resources represent 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. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

### **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 receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

The liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

#### Retirement Benefits

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

#### Other Postemployment Benefits

In addition to providing the retirement benefits described, the School District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the School District.

The School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level, the School District recognized the current cost of providing benefits for June 30, 2018 by recording \$13,024,806, which is its share of insurance premiums for 937 currently enrolled retirees, as expenditures for the current year.

The School District has recorded in the government-wide statement of net position other postemployment benefits totaling \$325,591,670 as of June 30, 2018.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to November 15, and September 1 through February 28 for qualifying senior taxpayers.

The City and County in which the School District is located enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the County to the School District within two years from the return of unpaid taxes to the County. Real property taxes receivable expected to be collected within 60 days of year-end are recognized as revenue. Otherwise, deferred inflows offset real property taxes receivable.

**Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the 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 both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 60 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year rather than when measurable and available.

**Short-Term Debt**

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

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 repaid or converted to long-term financing within five years after the original issue date.

**Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

Bonds and other long-term obligations that will be paid from governmental funds are recognized as expenditures in the fund financial statements when paid.

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.



1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Restricted Resources**

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

**Net Position and Fund Balance Classifications**

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

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

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

Restricted net position consists of the following:

Health insurance claims	\$ 609,000
Capital	14,944,000
Tax certiorari	1,788,210
Employee benefits	9,840,000
Debt service	<u>1,127,950</u>
Total restricted net position	<u>\$ 28,309,160</u>

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

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

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund and prepaid expenses in the general fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The School District has available the following restricted fund balances:

Capital Reserve

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of 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 under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Net Position and Fund Balance Classifications (Continued)**

Repair Reserve

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m) is 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 sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the 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 under restricted fund balance.

Reserve for Debt Service

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

Insurance Reserve

Insurance reserve is 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. The reserve is accounted for in the general fund under restricted fund balance.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position and Fund Balance Classifications (Continued)

#### Property Loss Reserve and Liability Reserve

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

#### Tax Certiorari Reserve

Tax certiorari reserve (Education Law §3651.1-a) is 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 which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

#### Employee Benefit Accrued Liability Reserve

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

#### Retirement Contribution Reserve

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

#### Encumbrances

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

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

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$920,448.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Net Position and Fund Balance Classifications (Continued)**

As of June 30, 2018, the School District's encumbrances were classified as follows:

Instruction	\$	907,809
General support		12,127
Pupil transportation		<u>512</u>
Total encumbrances	\$	<u><u>920,448</u></u>

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

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

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

**Explanation of Certain Differences Between Fund Financial Statements and Government-Wide Statements**

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the School District's governmental funds differs from net position of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

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

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Explanation of Certain Differences Between Fund Financial Statements and Government-Wide Statements (Continued)**

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

**Stewardship and Compliance**

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures, (and encumbrances), that may be incurred.

Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget, (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

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

**2. PRIOR PERIOD ADJUSTMENT – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

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

	<u>District-Wide Statement of Net Position</u>	
	<u>Other Postemployment Benefits</u>	<u>Net Position</u>
Balance at June 30, 2017, as previously reported	\$ 124,641,114	\$ 51,239,837
Restatement of beginning balance - Adoption of GASB Statement No. 75		
Increase to liability	<u>207,038,947</u>	<u>(207,038,947)</u>
Balance at June 30, 2017, as restated	<u>\$ 331,680,061</u>	<u>\$ (155,799,110)</u>

**3. CASH AND INVESTMENTS**

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. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these Notes.

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 56,216,106</u>	<u>\$ 49,233,408</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 55,466,106	
Covered by FDIC insurance	<u>750,000</u>	
Total	<u>\$ 56,216,106</u>	

### 3. CASH AND INVESTMENTS (Continued)

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

Restricted cash consists of the following:

General fund:

Cash on deposit for health insurance claims	\$ 609,000
Cash on deposit for capital	14,944,000
Cash on deposit for tax certiorari	1,788,210
Cash on deposit for employee benefits	<u>9,840,000</u>
Total general fund	<u>\$ 27,181,210</u>

Debt service fund:

Cash on deposit for debt service	<u>\$ 1,127,792</u>
----------------------------------	---------------------

Trust and agency fund:

Cash on deposit for extraclassroom activity funds	<u>\$ 212,265</u>
---	-------------------

The School District holds a \$9,978,108 investment in a United States Treasury Note which matures on June 30, 2018. The investment is carried at cost of \$9,955,859 plus accrued interest of \$22,249.

### 4. INVESTMENTS FOR SCHOLARSHIP FUND

In 1981, the School District received a donation of securities with a fair value of \$1,000,000. The gift was made for the purpose of providing scholarships for students of the School District based on a maximum of 75% of the income earned on the principal portion, with the remaining 25% and any residual not paid as a scholarship added back to the principal. During the 2017-2018 school year scholarship awards amounted to \$55,500. At June 30, 2018, principal and income portions were as follows:

Principal	\$ 1,550,831
Loss	<u>(13,983)</u>
Total	<u>\$ 1,536,848</u>

At June 30, 2018 the investments consisted principally of treasury notes, which are stated at their cost which approximates fair value. The investments are held by a third party in the School District's name.

## 5. CAPITAL ASSETS, NET

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

	July 1, 2017 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2018 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 5,020,491	\$ -	\$ -	\$ 5,020,491
Construction in progress	<u>14,864,811</u>	<u>13,525,189</u>	<u>3,950,057</u>	<u>24,439,943</u>
Total non-depreciable historical cost	<u>19,885,302</u>	<u>13,525,189</u>	<u>3,950,057</u>	<u>29,460,434</u>
Capital assets that are depreciated:				
Buildings	293,793,343	6,224,785	-	300,018,128
Land improvements	5,538,189	1,898,813	-	7,437,002
Furniture and equipment	3,198,247	85,240	-	3,283,487
Vehicles	<u>926,993</u>	<u>43,451</u>	<u>-</u>	<u>970,444</u>
Total depreciable historical cost	<u>303,456,772</u>	<u>8,252,289</u>	<u>-</u>	<u>311,709,061</u>
Less accumulated depreciation:				
Buildings	87,988,565	7,443,817	-	95,432,382
Land improvements	2,476,976	184,298	-	2,661,274
Furniture and equipment	1,736,130	240,214	-	1,976,344
Vehicles	<u>661,981</u>	<u>69,688</u>	<u>-</u>	<u>731,669</u>
Total accumulated depreciation	<u>92,863,652</u>	<u>7,938,017</u>	<u>-</u>	<u>100,801,669</u>
Total capital assets, net	<u>\$230,478,422</u>	<u>\$ 13,839,461</u>	<u>\$ 3,950,057</u>	<u>\$240,367,826</u>

Construction in progress relates to the construction costs at the high school reconstruction project as of June 30, 2018.

Depreciation expense for the year ended June 30, 2018, was allocated to specific functions as follows:

General support	\$ 33,961
Operation of plant	7,443,817
Instruction	382,060
Transportation	69,688
Cost of sales	<u>8,491</u>
Total	<u>\$ 7,938,017</u>

## 6. LONG-TERM LIABILITIES

Interest on long-term debt for the year was composed of:

Interest paid	\$ 5,447,710
Less interest accrued in prior year	(488,737)
Less amortization expense on bond premium	(1,142,002)
Plus amortization expense on deferred loss on refunding	504,335
Plus interest accrued in current year	<u>819,469</u>
Total expense	<u>\$ 5,140,775</u>



## 6. LONG-TERM LIABILITIES (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year	Long-term Portion
Bonds and notes payable:						
Capital projects - 2008	\$ 485,000	\$ -	\$ 485,000	\$ -	\$ -	\$ -
Capital projects - 2009	6,155,000	-	3,000,000	3,155,000	3,155,000	-
Capital projects - 2010	19,685,000	-	13,425,000	6,260,000	3,055,000	3,205,000
Capital projects - 2011	13,260,000	-	7,805,000	5,455,000	1,725,000	3,730,000
Capital projects - 2012	2,335,000	-	180,000	2,155,000	185,000	1,970,000
Capital projects - 2014	17,625,000	-	970,000	16,655,000	955,000	15,700,000
Capital projects - 2016	11,920,000	-	5,000	11,915,000	480,000	11,435,000
Capital projects - 2016	43,370,000	-	10,000	43,360,000	15,000	43,345,000
Capital projects - 2017	-	10,130,000	30,000	10,100,000	5,000	10,095,000
Capital projects - 2017	-	6,010,000	5,000	6,005,000	5,000	6,000,000
NYPA projects	153,658	-	141,723	11,935	-	11,935
NYPA projects	912,402	-	134,075	778,327	-	778,327
NYPA projects	556,149	-	50,478	505,671	-	505,671
Total bonds and notes payable	<u>\$116,457,209</u>	<u>\$ 16,140,000</u>	<u>\$ 26,241,276</u>	<u>\$106,355,933</u>	<u>\$ 9,580,000</u>	<u>\$ 96,775,933</u>
Other long-term liabilities:						
Accrued workers' compensation	1,412,478	51,475 (A)	-	1,463,953	717,122	746,831
Bond premium	13,314,283	-	87,005	13,227,278	-	13,227,278
Compensated absences	10,612,662	165,556 (A)	-	10,778,218	-	10,778,218
Net pension liability	11,717,189	-	9,573,127	2,144,062	-	2,144,062
Other postemployment benefits	331,680,061	-	6,088,391	325,591,670	-	325,591,670
Total other long-term debt	<u>368,736,673</u>	<u>217,031</u>	<u>15,748,523</u>	<u>353,205,181</u>	<u>717,122</u>	<u>352,488,059</u>
Total long-term liabilities	<u>\$485,193,882</u>	<u>\$ 16,357,031</u>	<u>\$ 41,989,799</u>	<u>\$459,561,114</u>	<u>\$ 10,297,122</u>	<u>\$449,263,992</u>

(A) Additions and deletions to compensated absences and accrued workers' compensation are shown net because it is impractical to determine these amounts separately.

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

Bond Issue	Issued	Maturity	Interest Rate	June 30, 2018 Balance
Capital Projects - 2009	2009	2019	5.00%	\$ 3,155,000
Capital Projects - 2010	2010	2027	4.88%	6,260,000
Capital Projects - 2011	2011	2025	5.00%	5,455,000
Capital Projects - 2012	2012	2028	1.60%	2,155,000
Capital Projects - 2014	2014	2032	3.00%	16,655,000
Capital Projects - 2016	2016	2035	2.00%	11,915,000
Capital Projects - 2016	2016	2036	2.00%	43,360,000
Capital Projects - 2017	2017	2027	2.00%	10,100,000
Capital Projects - 2017	2017	2025	2.00%	6,005,000
NYPA Projects	2003	2018	1.92%	11,935
NYPA Projects	2009	2024	1.92%	778,327
NYPA Projects	2012	2027	1.92%	505,671
Total				<u>\$106,355,933</u>

## 6. LONG-TERM LIABILITIES (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	9,779,468	4,687,656	14,467,124
2020	10,169,417	4,235,762	14,405,179
2021	9,721,320	3,791,959	13,513,279
2022	9,103,242	3,358,987	12,462,229
2023	7,430,183	2,963,696	10,393,879
2024-2028	29,877,303	10,098,958	39,976,261
2029-2033	22,090,000	4,375,206	26,465,206
2034-2036	<u>8,185,000</u>	<u>469,306</u>	<u>8,654,306</u>
Totals	<u>\$106,355,933</u>	<u>\$ 33,981,530</u>	<u>\$140,337,463</u>

## 7. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 5,815,010	\$ -	\$ 224,239	\$ 14,390,797
Special aid fund	-	5,659,091	492,797	224,239
School lunch fund	-	155,919	-	-
Trust & Agency Fund	5,730	-	-	-
Private Purpose Fund	-	5,730	-	-
Debt service fund	158	-	13,898,000	-
Capital fund	<u>-</u>	<u>158</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 5,820,898</u>	<u>\$ 5,820,898</u>	<u>\$ 14,615,036</u>	<u>\$ 14,615,036</u>

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

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.

## 8. PENSION PLANS

### New York State Employees' Retirement System

The School District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in the System, the election is irrevocable.

## 8. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

#### *Contributions*

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27<sup>th</sup>, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2018	\$	2,718,368
2017		2,590,429
2016		2,496,848

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

## 8. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. All amounts due were remitted in full to NYSERS. No portion of the School District's retirement bill was amortized or bonded as of June 30, 2018.

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

At June 30, 2018, the School District reported a liability of \$2,144,062 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the School District's proportion was 0.0664322 percent, which was an increase of 0.000486% from its proportion measured June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$2,537,463. At June 30, 2018, the School District 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
Differences between expected and actual experience	\$ 764,717	\$ 631,934
Changes of Assumptions	1,421,690	-
Net difference between projected and actual earnings on pension plan investments	3,114,079	6,146,880
Changes in proportion and differences between the District's contributions and proportionate share of contributions	69,092	124,142
Contributions subsequent to the measurement date	679,592	-
	<u>\$ 6,049,170</u>	<u>\$ 6,902,956</u>

\$679,592 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:	
2019	\$ 438,678
2020	307,436
2021	(1,556,697)
2022	(722,794)
	<u>\$ (1,533,377)</u>

## 8. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

#### **Actuarial Assumptions**

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

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

The long-term expected rate of return on pension plan investments was determined 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 equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of March 31, 2018 are summarize below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.50%
Real Estate	10.0%	5.55%
Absolute Return	2.0%	3.75%
Opportunistic Portfolio	3.0%	5.68%
Real Asset	3.0%	5.29%
Bonds, Cash & Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation Indexed Bonds	4.0%	1.25%
	<u>100.0%</u>	

#### **Discount Rate**

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

## 8. PENSION PLANS (Continued)

### New York State Employees' Retirement System (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 liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

	1 % Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of Net Pension liability (asset)	\$ 16,222,546	\$ 2,144,061	\$ (9,765,774)

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2018, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 183,400,590,000	\$ 121,837,047	0.0664322%
Net position	(180,173,145,000)	(119,692,986)	0.0664322%
Net pension liability (asset)	<u>\$ 3,227,445,000</u>	<u>\$ 2,144,061</u>	0.0664322%
Fiduciary net position as a percentage of total pension liability	98.24%	98.24%	

### New York State Teacher Retirement System

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

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

#### *Contributions*

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

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

**8. PENSION PLANS (Continued)**

New York State Teacher Retirement System (Continued)

The School District is required to contribute at an actuarially determined rate. The School District 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:

2018	\$	9,235,807
2017		10,582,140
2016		11,268,342

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

At June 30, 2018, the School District reported an asset of \$4,027,038 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018 the School District's proportion was 0.529804 percent, which was an increase of .014349 percent from its proportion measured June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$9,558,921. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 3,313,263	\$ 1,570,096
Changes of Assumptions	40,975,894	-
Net difference between projected and actual earnings on pension plan investments	-	9,484,839
Changes in proportion and differences between the District's contributions and proportionate share of contributions	116,107	2,418,229
Contributions subsequent to the measurement date	9,235,807	-
	<u>\$ 53,641,071</u>	<u>\$ 13,473,164</u>

\$9,235,807 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2018	\$ 531,093
2019	10,440,156
2020	7,357,158
2021	1,525,103
2022	7,334,587
Thereafter	<u>3,744,002</u>
	<u>\$ 30,932,099</u>

## 8. PENSION PLANS (Continued)

### New York State Teacher Retirement System (Continued)

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions:

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

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

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

Annuitant morality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	35.0%	5.9%
International Equity	18.0%	7.4%
Real Estate	11.0%	4.3%
Private Equity	8.0%	9.0%
Domestic fixed Income Securities	16.0%	1.6%
Global Fixed Income Securities	2.0%	1.3%
High-yield fixed Income Securities	1.0%	3.9%
Mortgages	8.0%	2.8%
Short - term fixed income	1.0%	0.6%
	<u>100.0%</u>	



## 8. PENSION PLANS (Continued)

### New York State Teacher Retirement System (Continued)

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the School Districts calculated using the discount rate of 7.25 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

#### **Sensitivity of the Proportionate Share of the net Pension Liability (Asset) to the Discount Rate Assumption**

	1 % Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension liability (asset)	\$ 69,373,935	\$ (4,027,038)	\$ (65,496,709)

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the employers as June 30, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 114,708,261,032	\$ 607,728,955	0.5298040%
Net position	115,468,360,316	611,755,994	0.5298040%
Net pension liability (asset)	<u>\$ (760,099,284)</u>	<u>\$ (4,027,038)</u>	0.5298040%
Fiduciary net position as a percentage of total pension liability	100.66%	100.66%	

## 9. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

### Plan Description

The School District's defined benefit OPEB plan, provides OPEB for all employees who meet the NYSTRS/NYSERS eligibility requirements. Teachers and Administrators age 55 with 5 years of service who are eligible to retire and collect benefits according to the NYSTRS are eligible for retiree health care benefits for life from the District. Support staff hired before January 1, 2010 age 55 with 5 years of service are eligible to retire and collect benefits for life from the District according to NYSERS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSERS health care benefits.

The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

### Benefits Provided

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

### Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	937
Active employees	<u>1,485</u>
Total participants	<u><u>2,422</u></u>

### Total OPEB Liability

The School District's total OPEB liability of \$325,591,670 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Actuarial cost method	Entry age normal percent of pay cost method
Wage inflation	3.20%
Discount Rate	3.87%
Healthcare Cost Trend Rates	Pre-65 Medicare - 5.5% for 2018 decreasing annually to an ultimate rate of 3.84% for 2078 Post-65 Medicare - 5.5% for 2018, 9.50%, decreasing annually to an

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

Mortality rates were ROG-2015 Dataset Mortality Table fully generational as appropriate, with adjustments for mortality improvements based on Scale AA.

**9. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)**

**Changes in Total OPEB Liability**

Changes of assumptions and other inputs reflect a change in the discount rate from 5.00% in 2017 to 3.87% in 2018.

**Schedule of Changes in OPEB liability**

Balance 7/1/2017	\$331,680,061
Service cost	11,602,843
Interest	11,874,146
Change in benefit terms	-
Difference in experience	-
Change in assumptions	(16,540,574)
Benefit payments	<u>(13,024,806)</u>
Balance 6/30/18	<u>\$325,591,670</u>

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

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

	1% Decrease <u>2.87</u>	Current Discount <u>3.87</u>	1% Increase <u>4.87</u>
Total OPEB Liability	\$ <u>376,432,089</u>	\$ <u>325,591,670</u>	\$ <u>265,086,518</u>

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

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

	Healthcare		
	1% Decrease <u>(4.50%)</u>	Current Discount <u>(5.5%)</u>	1% Increase <u>(6.50%)</u>
Total OPEB Liability	\$ <u>261,746,252</u>	\$ <u>325,591,670</u>	\$ <u>382,133,318</u>

## 9. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

### OPEB Expense and Deferred Outflows and Inflows related to OPEB

For the year ended June 30, 2018, the School District recognized OPEB expense of \$8,667,971. As of June 30, 2018 the School District reported deferred outflows and inflows of resources as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	-	\$ -
Changes of assumptions or other inputs	-	14,756,362
	<u>-</u>	<u>\$ 14,756,362</u>

Deferred inflows will be recognized as follows:

<u>Year Ending:</u>	
2019	\$ 1,784,212
2020	1,784,212
2021	1,784,212
2022	1,784,212
2023	1,784,212
Thereafter	<u>5,835,302</u>
	<u>\$ 14,756,362</u>

## 10. TAX ABATEMENTS

All real property in New York State is subject to taxation unless specific legal provisions grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas other pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

The School District is affected by several real property tax abatement agreements with various entities. These agreements provide for a form of Payment In Lieu of Taxes (PILOT) in return for an abatement of real property taxes.

## 10. TAX ABATEMENTS (Continued)

Generally the tax abatements are issued under the NYS Private Housing Finance Law (PHFL) or the City of Albany Industrial Development Agency (CAIDA). PILOT agreements are in place under both categories, with shelter rents (a percentage of the rents from the housing) being the predominant PILOT method for PHFL agreements, and payments of a percentage of taxable assessed value being the predominant PILOT method for IDA agreements. The PHFL properties are mostly organized under the Albany Housing Authority, which is a separate, but component unit of the City of Albany. These properties contain almost exclusively affordable housing units. The IDA properties are commercial properties comprised of a mix of hotel, office, retail, and both market rate and affordable apartment units.

The total assessed value of all affordable housing properties, including the IDA properties, is \$346,243,086 for the School Tax year, with taxable assessed values of \$32,782,493. The total PILOT payments on these properties was \$911,266. This value is an expression of what the total value of collected shelter rents would be if they were collected and apportioned as taxes. This constitutes a \$9,030,831 abatement of school taxes.

The total assessed value of Commercial (almost exclusively IDA) properties is \$247,090,200 for the School Tax Year, with taxable assessed values of \$113,144,927. The total PILOT payments on these properties to date were \$ \$2,747,407 to the School District. This constitutes a \$3,858,977 abatement of school taxes.

## 11. RISK MANAGEMENT

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

### **New York State Unemployment Insurance (NYS/UI)**

The School District has chosen to establish a risk-financing fund for risks associated with unemployment claims which is accounted for in the School District's general fund and includes provisions for unexpected and unusual claims.

### **Workers' Compensation Plan**

The School District is self-insured for workers' compensation benefits on a cost-reimbursement basis. Under the program, the School District is responsible for claim payments.

Any excess funding received over claims paid and accrued is held in the workers' compensation reserve, restricted for future claim payments. This reserve was removed in the current year.

## 11. RISK MANAGEMENT (Continued)

### Health Insurance Plan

All of the School District's health insurance plans are self-insured.

All known claims filed and an estimate of all incurred, but not reported claims existing at June 30, 2018, have been recorded as accrued liabilities in the general fund and as long-term debt.

The School District establishes health insurance claims liabilities based on estimates of the ultimate cost of claims. Claims under this plan are paid during the year or in the subsequent year. The length of time that claims may be submitted is limited to ninety days after year-end. The School District has stop loss insurance limiting its liability to \$150,000 per insured.

The School District establishes Workers' Compensation and unemployment claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on complex factors, such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

The School District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities for the School District during 2018:

	<u>Health</u>	<u>Workers' Compensation</u>	<u>Unemployment</u>
Unpaid claims and claim adjustment - beginning of year	\$ 2,171,139	\$ 1,412,479	\$ -
Incurred claims and claim adjustment expenses:			
Provision for incurred claims expenses for events of the current year	<u>27,598,624</u>	<u>6,281,351</u>	<u>6,077</u>
Total incurred claims and claims adjustment expenses	29,769,763	7,693,830	6,077
Payments made for claims arising during the current year	<u>27,664,947</u>	<u>6,229,877</u>	<u>6,077</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 2,104,816</u>	<u>\$ 1,463,953</u>	<u>\$ -</u>

## 12. CONTINGENCIES AND COMMITMENTS

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.

The School District has various commitments with contractors for the completion of capital projects.

### **Litigation**

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time.

### **Other**

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 from a return of funds. Based on prior years' experience, the School District's administration believes disallowances, if any, will be immaterial.

## 13. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2019.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2020, with early adoption encouraged.

In June 2017, GASB issue Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

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

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**



**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUE</b>					
Local Sources:					
Real property taxes	\$ 104,765,517	\$ 104,765,517	\$ 107,603,403	\$ -	\$ 2,837,886
Other tax items	15,483,585	15,483,585	16,805,687	-	1,322,102
Nonproperty taxes	3,950,000	3,950,000	4,259,266	-	309,266
Charges for services	1,858,000	1,858,000	1,900,472	-	42,472
Use of money and property	127,000	127,000	202,416	-	75,416
Sale of property and compensation for loss	19,000	19,000	16,000	-	(3,000)
Miscellaneous	<u>2,191,000</u>	<u>2,191,000</u>	<u>3,154,062</u>	<u>-</u>	<u>963,062</u>
Total local sources	128,394,102	128,394,102	133,941,306	-	5,547,204
State sources	104,993,406	104,993,406	105,134,791	-	141,385
Medicaid reimbursement	<u>750,000</u>	<u>750,000</u>	<u>1,951,802</u>	<u>-</u>	<u>1,201,802</u>
Total revenue	<u>234,137,508</u>	<u>234,137,508</u>	<u>241,027,899</u>	<u>-</u>	<u>6,890,391</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds	<u>190,000</u>	<u>190,000</u>	<u>224,239</u>	<u>-</u>	<u>34,239</u>
Total revenue and other financing sources	<u>234,327,508</u>	<u>234,327,508</u>	<u>241,252,138</u>	<u>-</u>	<u>6,924,630</u>

(Continued)

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (Continued)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
General support					
Board of education	\$ 131,100	\$ 158,800	\$ 132,510	\$ 638	\$ 25,652
Central administration	396,275	442,599	436,521	2,644	3,434
Finance	908,854	982,332	966,628	1,377	14,327
Staff	1,277,887	1,446,390	1,365,358	-	81,032
Central services	11,328,464	11,949,681	11,551,425	7,468	390,788
Special items	1,107,300	1,807,278	1,759,261	-	48,017
Total general support	<u>15,149,880</u>	<u>16,787,080</u>	<u>16,211,703</u>	<u>12,127</u>	<u>563,250</u>
Instruction					
Instruction, administration & improvement	9,849,459	10,113,951	9,865,002	16,687	232,262
Teaching - regular school	92,113,954	90,480,487	88,465,353	282,253	1,732,881
Programs for students with disabilities	28,223,210	27,145,279	26,776,356	94,987	273,936
Occupational education	874,944	863,523	754,310	1,633	107,580
Teaching - special schools	862,417	881,531	851,144	-	30,387
Instructional media	3,134,177	3,831,483	3,162,232	404,932	264,319
Pupil services	17,610,341	18,100,340	16,776,778	107,317	1,216,245
Total instruction	<u>152,668,502</u>	<u>151,416,594</u>	<u>146,651,175</u>	<u>907,809</u>	<u>3,857,610</u>
Pupil transportation	8,853,649	8,875,968	8,684,447	512	191,009
Employee benefits	48,773,993	48,858,622	46,203,804	-	2,654,818
Debt service - Principal	329,664	326,277	326,276	-	1
Debt service - Interest	8,820	17,207	17,193	-	14
Total expenditures	<u>225,784,508</u>	<u>226,281,748</u>	<u>218,094,598</u>	<u>920,448</u>	<u>7,266,702</u>
<b>OTHER FINANCING USES</b>					
Transfers to other funds	<u>14,393,000</u>	<u>14,393,000</u>	<u>14,390,797</u>	<u>-</u>	<u>2,203</u>
Total expenditures and other uses	<u>240,177,508</u>	<u>240,674,748</u>	<u>232,485,395</u>	<u>920,448</u>	<u>7,268,905</u>
NET CHANGE IN FUND BALANCE	(5,850,000)	(6,347,240)	8,766,743	(920,448)	14,193,535
FUND BALANCE - beginning of year	<u>33,974,895</u>	<u>33,974,895</u>	<u>33,974,895</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 28,124,895</u>	<u>\$ 27,627,655</u>	<u>\$ 42,741,638</u>	<u>\$ (920,448)</u>	<u>\$ 14,193,535</u>

See the accompanying independent auditor's report

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR THE YEAR ENDED JUNE 30, 2018

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset) (thousands)	0.0664322%	0.0646409%	0.0646409%	0.0649258%						
Proportionate share of the net pension liability (asset)	\$ 2,144.1	\$ 6,196.4	\$ 10,375.0	\$ 2,193.4						
Covered-employee payroll	\$ 19,287.0	\$ 17,973.0	\$ 16,769.1	\$ 16,903.0						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.12%	34.48%	61.87%	12.98%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.68%	97.95%						

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

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset) (thousands)	0.529804%	0.484392%	0.484392%	0.489271%						
Proportionate share of the net pension liability (asset)	\$ (4,027.0)	\$ 5,520.7	\$ (50,312.9)	\$ (54,501.7)						
Covered-employee payroll	\$ 86,475.2	\$ 79,539.9	\$ 72,762.3	\$ 72,273.0						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.66%	6.94%	-69.15%	-75.41%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	100.66%	110.50%	111.48%						

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

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2018

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN (thousands)</b>										
Contractually required contribution	\$ 2,590.4	\$ 2,572.7	\$ 2,622.7	\$ 3,255.9						
Contributions in relation to the contractually required contribution	2,590.4	2,572.7	2,622.7	3,255.9						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 19,287.0	\$ 17,973.0	\$ 16,769.1	\$ 16,903.0						
Contributions as a percentage of covered-employee payroll	13.43%	14.31%	15.64%	19.26%						

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN (thousands)</b>										
Contractually required contribution	\$ 9,839.7	\$ 10,547.0	\$ 12,755.2	\$ 11,744.4						
Contributions in relation to the contractually required contribution	9,839.7	10,547.0	12,755.2	11,744.4						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 86,475.2	\$ 79,539.9	\$ 72,762.3	\$ 72,273.0						
Contributions as a percentage of covered-employee payroll	11.38%	13.26%	17.53%	16.25%						

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

**CITY SCHOOL DISTRICT OF  
THE CITY OF ALBANY  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total OPEB Liability</b>										
Service cost	\$ 11,602,843									
Interest	11,874,146									
Changes of benefit terms	-									
Differences between expected and actual experience	-									
Changes in assumptions	(16,540,574)									
Benefit payments	(13,024,806)									
<b>Total change in total OPEB liability</b>	<b>(6,088,391)</b>									
<b>Total OPEB liability - beginning</b>	<b>331,680,061</b>									
<b>Total OPEB liability - ending</b>	<b>\$ 325,591,670</b>									
<b>Covered-employee payroll</b>	<b>\$ 93,136,917</b>									
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>349.6%</b>									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Notes to schedule:**

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

Discount rate	3.87%	unavailable
---------------	-------	-------------

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

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

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

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

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

**OTHER INFORMATION (UNAUDITED)**

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET  
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2018**

---

**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 239,257,060
Add: Prior year's encumbrances	<u>920,448</u>
Original budget	240,177,508
Budget revisions	<u>497,240</u>
Final budget	<u><u>\$ 240,674,748</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2018-19 voter-approved expenditure budget	\$ 249,447,555
Maximum allowed (4% of subsequent year's budget):	9,977,902
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :	
Unrestricted fund balance:	
Assigned fund balance	\$ 5,720,448
Unassigned fund balance	<u>4,177,333</u>
Total unrestricted fund balance	<u>\$ 9,897,781</u>
Less:	
Appropriated fund balance	\$ 4,800,000
Encumbrances included in committed and assigned fund balance	<u>920,448</u>
Total adjustments	<u>\$ 5,720,448</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 4,177,333</u>
Actual percentage	1.67%

Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: 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.

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance 30-Jun-18
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Capital Projects - \$240M Summary	\$ 164,603,000	\$ 204,240,000	\$ 203,401,488	-	\$ 203,401,488 *	\$ 838,512	\$ 198,298,340	\$ 5,669,666	\$ 255	\$ 203,968,261	\$ 566,773
Livingston Magnet School	19,422,000	-	-	-	-	19,422,000	-	-	-	-	-
Sunshine School	1,215,000	-	(264)	-	(264)	1,215,264	-	-	-	-	264
Lease Cathedral Immaculate	-	-	1,489,900	-	1,489,900	(1,489,900)	-	-	1,490,200	1,490,200	300
Lease 75 Watervliet	-	-	226,592	-	226,592	(226,592)	-	-	205,993	205,993	(20,599)
Albany High School Reconstruction	-	7,792,150	7,074,198	-	7,074,198	717,952	5,676,000	-	2,109,465	7,785,465	711,267
Abrookin - Excel Project	-	3,809,933	3,734,646	-	3,734,646	75,287	3,173,244	826,756	-	4,000,000	265,354
Giffen - Excel Project	-	960,000	885,383	-	885,383	74,617	-	208,800	-	208,800	(676,583)
North Albany Academy Roof	-	300,000	240,880	-	240,880	59,120	-	-	-	-	(240,880)
Albany School of Humanities - Chiller Project	-	300,000	299,803	-	299,803	197	-	-	285,003	285,003	(14,800)
Hackett Parking Lot & Generator	-	370,000	551,825	-	551,825	(181,825)	-	-	-	-	(551,825)
Eagle Point Roof	-	110,000	115,125	-	115,125	(5,125)	-	-	-	-	(115,125)
Arbor Hill Air Handlers	-	300,000	15,432	-	15,432	284,568	-	-	-	-	(15,432)
Albany High Turf Field	2,417,000	-	2,365,769	-	2,365,769	51,231	-	-	774,360	774,360	(1,591,409)
Albany High Press Box - Turf Field	67,000	-	31,162	-	31,162	35,838	-	-	67,000	67,000	35,838
Albany High School - \$179.9M	179,900,000	-	2,667,616	5,238,630	7,906,246	171,993,754	-	-	-	-	(7,906,246)
District Wide Reconstruction - \$13.9 Million	13,944,000	-	10,943,086	3,338,483	14,281,569	(337,569)	-	-	4,951,000	4,951,000	(9,330,569)
N Lark Street Purchase	-	-	2,192,449	-	2,192,449	(2,192,449)	-	-	2,192,449	2,192,449	-
N Lark St Middle School Conversion	6,525,000	-	1,238,700	5,108,122	6,346,822	178,178	-	-	1,305,000	1,305,000	(5,041,822)
ASH NYPA Energy Project	-	-	787,610	-	787,610	(787,610)	787,610	-	-	787,610	-
395 Elk Building Purchase	4,100,000	-	55,800	3,950,031	4,005,831	94,169	-	-	4,100,000	4,100,000	94,169
Smart Schools Bond	<u>2,100,827</u>	<u>-</u>	<u>1,605,217</u>	<u>36,124</u>	<u>1,641,341</u>	<u>459,486</u>	<u>-</u>	<u>1,641,341</u>	<u>-</u>	<u>1,641,341</u>	<u>-</u>
	<u>\$ 394,293,827</u>	<u>\$ 218,182,083</u>	<u>\$ 239,922,417</u>	<u>\$ 17,671,390</u>	<u>\$ 257,593,807</u>	<u>\$ 190,279,103</u>	<u>\$ 207,935,194</u>	<u>\$ 8,346,563</u>	<u>\$ 17,480,725</u>	<u>\$ 233,762,482</u>	<u>\$ (23,831,325)</u>



**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

Capital assets, net		\$ 240,367,826
Deduct:		
BAN payable	31,053,839	
Short-term portion of bonds payable	9,580,000	
Long-term portion of bonds payable	96,775,933	
Less: Unspent proceeds	<u>(8,849,393)</u>	<u>128,560,379</u>
Net investment in capital assets		<u>\$ 111,807,447</u>

**REQUIRED REPORTS UNDER UNIFORM GUIDANCE**

**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**

September 26, 2018

To the Board of Education of  
City School District of the City of Albany:

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 City School District of the City of Albany (School District) as of and for the year ended June 30, 2018, 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 26, 2018.

**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.

(Continued)

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

(Continued)

**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.

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

September 26, 2018

The Board of Education of the  
City School District of the City of Albany:

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

We have audited the City School District of the City of Albany'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 City School District of the City of Albany's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

(Continued)

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

Management of the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grant Number	Expenditures	Amounts Provided to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed through New York State Dept. of Education/ <i>Child Nutrition Cluster:</i>				
National school lunch program (Noncash food donations)	10.555	N/A	\$ 332,930	\$ -
School breakfast program	10.553	N/A	1,127,199	-
National school lunch program	10.555	N/A	3,748,455	-
Summer food service program for children	10.559	N/A	136,401	-
<i>Total Child Nutrition Cluster</i>			<u>5,344,985</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>5,344,985</u>	<u>-</u>
<b>U.S. Department of Education</b>				
Passed through New York State Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021-18-0005	4,010,592	-
Title I Grants to Local Educational Agencies	84.010	0021-17-0005	673,735	-
Title I Grants to Local Educational Agencies	84.010	0011-17-2012	169,175	-
Title I Grants to Local Educational Agencies	84.010	0011-18-2012	459,228	-
			<u>5,312,730</u>	<u>-</u>
<i>School Improvement Grants:</i>				
School Improvement Grants	84.377	0123-18-5110	201,549	-
School Improvement Grants	84.377	0123-17-5110	40,256	-
<i>Total School Improvement Grants</i>			<u>241,805</u>	<u>-</u>
<i>Special Education Cluster (IDEA):</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	0032-18-0001	3,663,209	-
Special Education - Preschool Grants (IDEA, Preschool)	84.173	0033-18-0001	153,921	-
<i>Total Special Education Cluster (IDEA)</i>			<u>3,817,130</u>	<u>-</u>
VATEA, General	84.048	8000-18-0084	98,569	-
Twenty-First Century Community Learning Center	84.287	0187-18-6083	1,064,410	-
English Language Acquisition Grants - Title IIIA	84.365	0149-18-0005	16,104	-
English Language Acquisition Grants - Title IIIA	84.365	0149-17-0005	47,991	-
English Language Acquisition Grants - Title IIIA	84.365	0293-18-0005	86,716	-
English Language Acquisition Grants - Title IIIA	84.365	0293-17-0005	36,208	-
			<u>187,019</u>	<u>-</u>
Title II Part B - Math -Science	84.366	0294-18-0212	-	-
Title II Part A - Teaching	84.367	0147-17-0005	85,788	-
Title II Part A - Teaching	84.367	0147-18-0005	635,889	-
			<u>721,677</u>	<u>-</u>
Total New York State Education Department			<u>11,443,340</u>	<u>-</u>
Passed through Cornell University:				
Promoting Readiness of Minors in Supplemental Security Income	84.418	#25785 2017	28,181	-
Promoting Readiness of Minors in Supplemental Security Income	84.418	#25785 2018	74,642	-
Total U.S. Department of Education			<u>11,546,163</u>	<u>-</u>
<b>U.S. Department of Labor</b>				
Direct program:				
Transition Assistance Program	17.807	N/A	83	-
Total U.S. Department of Labor			<u>83</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 16,891,231</u>	<u>\$ -</u>

# CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2018

---

### 1. GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City School District of the City of Albany (District), under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the School District, it is not intended to and does not present the government activities, each major fund and aggregate remaining for the School District.

### 2. BASIS OF ACCOUNTING

The Schedule is presented in accordance with generally accepted accounting principles, as described in the School District's basic financial statements.

### 3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent that such costs are included in the federal financial reports used as the source document for the data presented.

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

### 4. MATCHING COSTS

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

### 5. NONCASH ASSISTANCE

The School District received noncash assistance is reported totaling \$332,930 (CFDA 10.555) in the form of food commodities for the year ended June 30, 2018.



**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2018**

---

There were no prior year findings required to be reported under either *Government Auditing Standards* or the Uniform Guidance.

**CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

---

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified?  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 deficiencies identified  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?  Yes  No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?  Yes  No

## **CITY SCHOOL DISTRICT OF THE CITY OF ALBANY**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) JUNE 30, 2018**

---

#### **Section II—Financial Statement Findings**

There were no instances identified of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under *Government Auditing Standards*.

#### **Section III—Federal Award Findings and Questioned Costs**

There were no instances identified of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under Uniform Guidance.