

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

**Financial Statements and Required Reports  
Under Uniform Guidance as of  
June 30, 2017**

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

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**INDEPENDENT AUDITOR'S REPORT**

October 2, 2017

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, 2017 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, 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)

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other information, listed in the accompanying table of contents, is required by the New York State Education Department and such other information is the responsibility of management and 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 other 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.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017, 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.

*Bonadio & Co., LLP*

## CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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*The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2017. 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 refundings.
- Revenues increased by 4.7% *government-wide* primarily due to an increase in state aid. State aid increased by approximately \$9.0 million from the prior year.
- Expenditures increased 13.1% *government-wide* primarily in the area of instructional staffing and related items. Additionally, property tax refunds increased due to changes in assessments.
- The general fund realized a \$5.8 million deficit when comparing revenues to expenditures for 2016-17 year. However, of this amount approximately \$5.4 million was a one-time transfer to the capital fund for the purchase of the Tony Clement Center for Education and the local share of a \$6.5 million capital project at the Edmund J. O'Neal Middle School of Excellence.
- There will be eight Charter Schools open in the 2017-18 school year, with an estimated enrollment of 2,200 students. The projected cost of the Charter Schools is estimated to be \$34.2 million or 14% of the school budget.

#### 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**

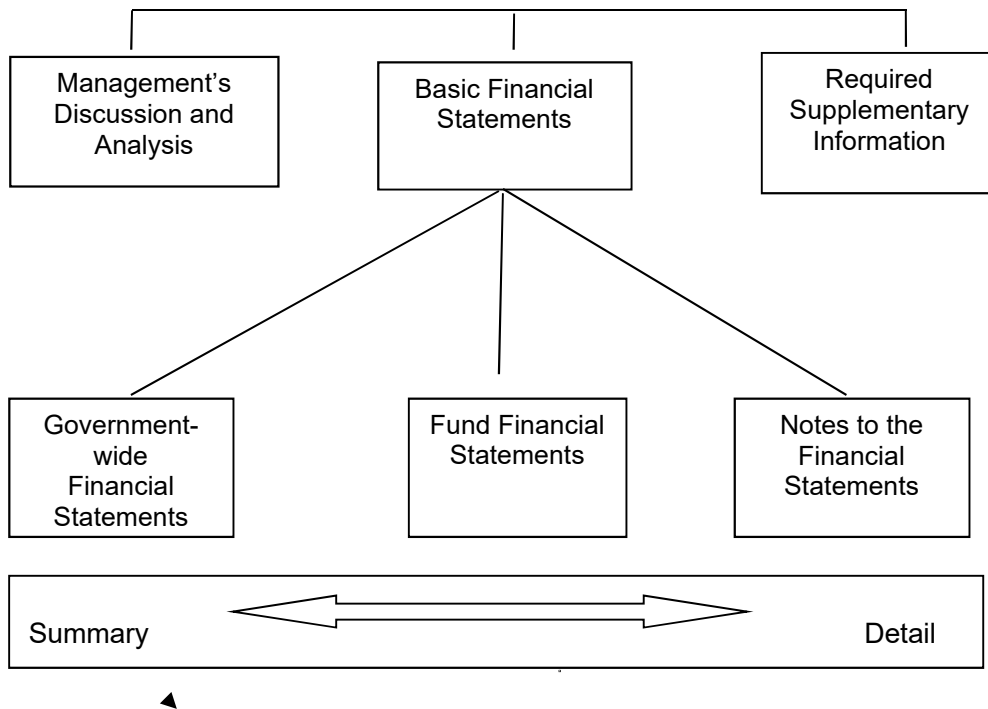


Figure A-2 summarizes the major features of the School District's financial statements, including a portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

## 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)**

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>	Percent <u>Change</u>
Current and other assets	\$ 85.1	\$ 72.4	17.5%
Non-current assets	<u>230.5</u>	<u>275.6</u>	-16.4%
Total assets	<u>315.6</u>	<u>348.0</u>	-9.3%
Deferred outflows of resources	<u>67.6</u>	<u>30.4</u>	
Current liabilities	59.0	31.4	87.9%
Long-term liabilities	<u>268.2</u>	<u>265.0</u>	1.2%
Total liabilities	<u>327.2</u>	<u>296.4</u>	10.4%
Deferred inflows of resources	<u>4.7</u>	<u>18.7</u>	
Net position:			
Net investment in capital assets	108.9	101.3	7.5%
Restricted	20.9	25.0	-16.4%
Unrestricted	<u>(78.5)</u>	<u>(63.0)</u>	24.6%
Total net position	<u>\$ 51.3</u>	<u>\$ 63.3</u>	-19.0%

- Total assets decreased primarily due to the decrease in non-current capital assets. Total non-current capital assets decreased 16.4% primarily due to changing market conditions and the resulting impact on the N.Y.S. retirement systems as a whole. In 2015-16 the pension systems were over funded and in 2016-17 they are slightly underfunded. ERS is 95% funded and TRS is 99% funded at the close of the 2016-17 fiscal year.
- The increase in current liabilities can be attributed to \$23.9 million of BANs payable at June 30, 2017 due to in-progress capital projects.
- The net increase in long-term liabilities is due to the continued phase-in of other post-employment liabilities (OPEB) relating to health benefits and the net pension liability.
- Net investment in capital assets increased 7.5% primarily due to the net change of an increase in BAN payables and the reduction of long-term bonds payable as a result of reissuing bonds at lower interest rates.
- The deficit in unrestricted net position increased as a result of changes in assets, liabilities, capital assets, and restricted net position as noted above.

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

### Changes in Net Position

The School District's 2016-2017 revenue was \$251,919,919 (See Figure A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 41% and 39%, 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 \$263,965,852 for 2016-2017. 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 14% of total costs.

Net position decreased during the year by \$(12,045,933) primarily due to the increase of instructional expenses, such as charter school tuition, textbooks, salary and benefits.

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

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>	Percent <u>Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 2.2	\$ 2.3	-4.3%
Operating grants and contributions	24.0	23.3	3.0%
General revenue:			
Taxes	123.4	123.6	-0.2%
State formula aid	97.1	88.1	10.2%
Interest earnings	0.2	0.1	100.0%
Miscellaneous	5.0	3.3	51.5%
Total revenue	<u>251.9</u>	<u>240.7</u>	4.7%
<u>Expenses</u>			
General support	30.3	26.5	14.3%
Instruction	214.7	189.3	13.4%
Transportation	8.6	7.6	13.2%
Debt service - Interest	5.5	5.6	-1.8%
School lunch program	4.9	4.4	11.4%
Total expenses	<u>264.0</u>	<u>233.4</u>	13.1%
Increase (decrease) in net position	\$ (12.1)	\$ 7.3	265.8%
TOTAL NET POSITION - beginning of the year	<u>63.3</u>	<u>56.0</u>	13.0%
TOTAL NET POSITION - end of year	<u>\$ 51.2</u>	<u>\$ 63.3</u>	-19.1%

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

The School District's 2016-2017 revenues totaled \$251.9 million as compared to \$240.7 million for the previous year. While state aid and program revenue increased by \$9.0 million, the School District also saw an increase of \$1.8 million of revenue in the areas of interest earnings and miscellaneous items, which is comprised of Medicaid and health insurance rebates.

Total expenditures increased \$30.6 million or 13.1% from prior year, mostly in the areas of instruction, general support, and the school lunch program.

Figure A-5:

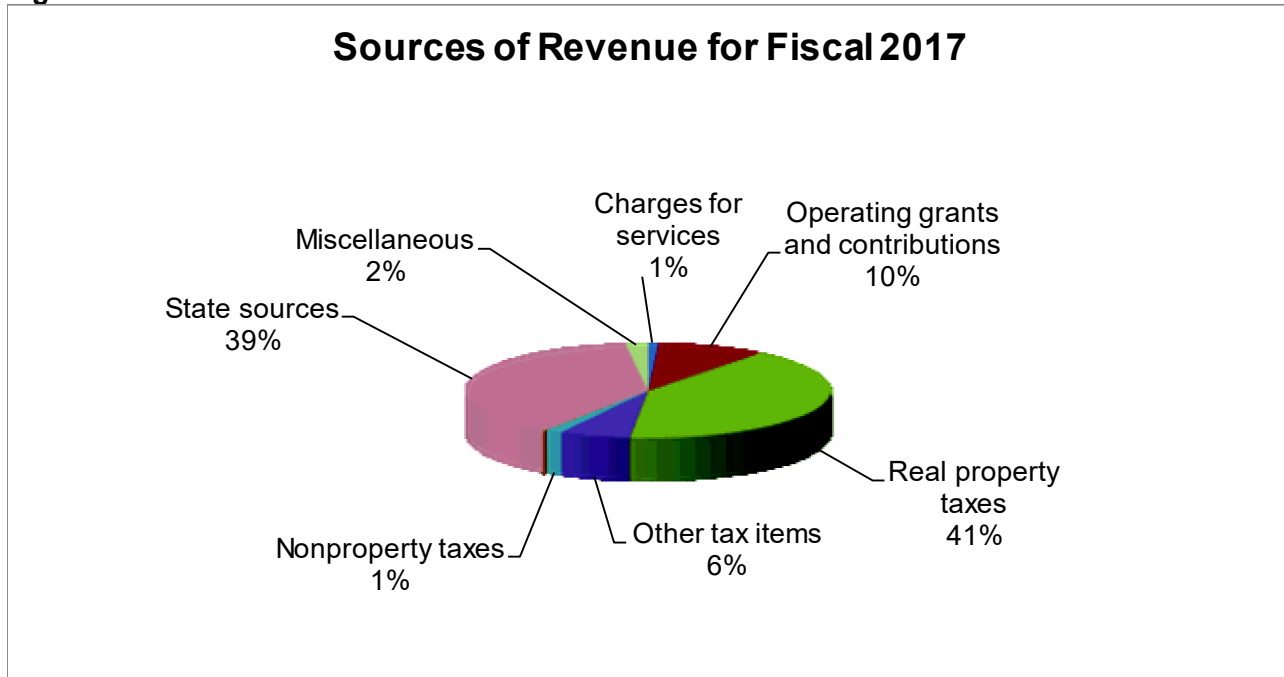
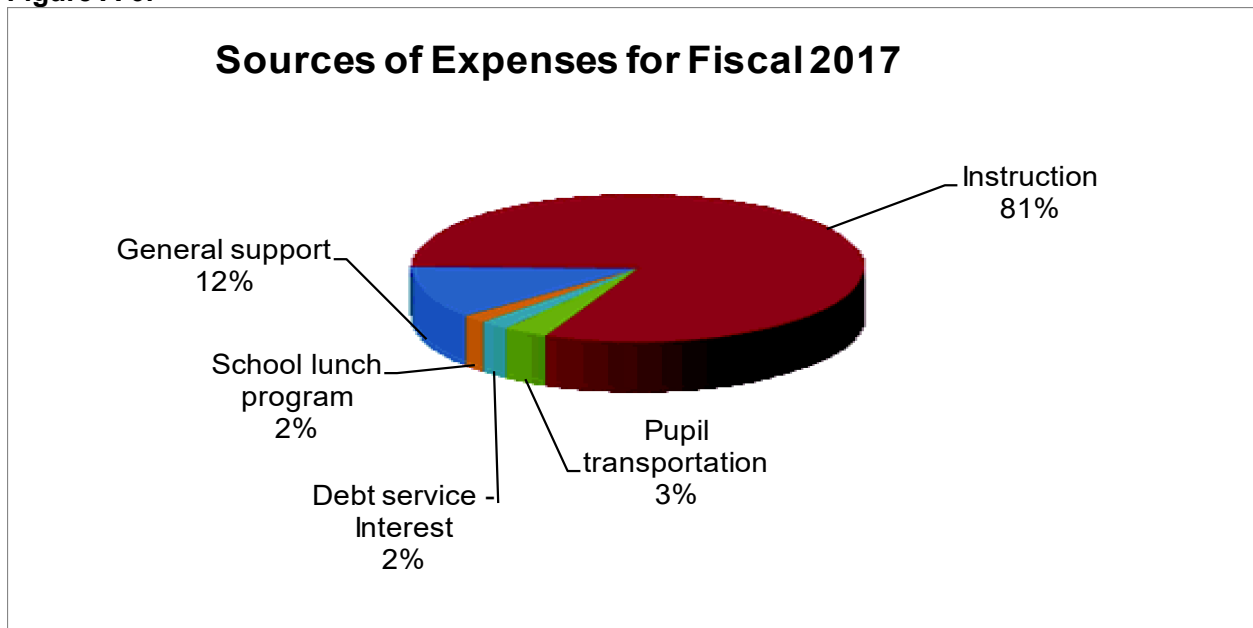


Figure A-6:



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

### Governmental Activities

Revenue for the School District's governmental activities totaled \$251,919,919 while total expenses were \$263,965,852. Accordingly, net position decreased by \$(12,045,933). Overall revenues increased 4.7% from the prior year.

The School District's 2016-2017 revenues totaled \$251.9 million as compared to \$240.7 million for the previous year. While state aid increased by 10.2%, the miscellaneous revenue line which includes Medicaid, increased \$1.1 million.

Total expenditures increased \$30.6 million from the prior year primarily in the area of instructional staffing and related items. Additionally, property tax refunds increased due to changes in assessments. Under GASB 68, expenditure allocations are also required to recognize changes in the assets and liabilities of pension funds.

### Figure A-7

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

	Total Cost Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost Services <u>2016</u>	Net Cost of Services <u>2016</u>
General support	\$ 30.3	\$ 30.3	\$ 26.5	\$ 26.5
Instruction	214.7	194.1	189.3	169.1
Pupil transportation	8.6	8.6	7.6	7.6
Debt service - Interest	5.5	5.5	5.6	5.6
School lunch program	4.8	(0.8)	4.4	(1.1)
	<u>\$ 263.9</u>	<u>\$ 237.7</u>	<u>\$ 233.4</u>	<u>\$ 207.7</u>

- The cost of all governmental activities for the year was \$263,965,852.
- The users of the School District's programs financed \$2,241,210 of the costs.
- The federal and state government financed \$23,956,255 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

Variations between years for the governmental fund financial statements are not the same as variations 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 \$10.9 million in 2016-2017 from prior year, primarily from State Aid. By voter approval, the School District was able to use \$5.4 million of the Capital reserve in 2016-17 and later replenish it with \$2.4 million of unassigned fund balance for future projects. This action to partially replenish the fund will help to stabilize the School District's financial position. Expenses increased approximately \$15.0 million primarily in the instructional area and contractual employee benefits.
- Special Aid Fund – The School District's grant portfolio increased \$0.9 million from prior year. Grants for persistently struggling schools contributed to this increase under Title I funding.
- 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 \$13.9 million of district-wide projects, the project at the Edmund J. O'Neal Middle School of Excellence, and the initial phases of the \$179.9 million high school renovation project.
- Debt Service Fund – Except for the high school project, most project costs have been financed as of 2016-2017 year-end. The School District exercised its option to recall some bonds and re-issue them at lower interest rates in 2015-16, which results in lower interest expenses in future years.

The following is a brief description of the activity in the governmental funds for 2017:

### 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	\$ 129.4	\$ 130.0	\$ 131.2	\$ -	\$ 1.2
State sources	97.7	97.7	95.5	-	(2.2)
Medicaid	0.5	0.5	1.8	-	1.3
Transfers in	0.2	0.2	0.3	-	0.1
Total	<u>227.8</u>	<u>228.4</u>	<u>228.8</u>	<u>-</u>	<u>0.4</u>
Expenditures:					
General support	15.4	17.3	17.0	0.1	0.2
Instruction	149.8	147.8	143.3	0.4	4.1
Pupil transportation	7.9	8.3	8.3	-	-
Employee benefits	46.7	46.4	45.6	-	0.8
Debt service	0.4	0.4	0.4	-	-
Transfers out	14.8	20.2	20.1	-	0.1
Total	<u>235.0</u>	<u>240.4</u>	<u>234.7</u>	<u>0.5</u>	<u>5.2</u>
Revenues over (under) expenditures	<u>\$ (7.2)</u>	<u>\$ (12.0)</u>	<u>\$ (5.9)</u>	<u>\$ (0.5)</u>	<u>\$ 5.6</u>

Note: Amounts may vary due to rounding.

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

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

- The General Fund had a deficit of revenues over expenditures of approximately \$5.8 million. Approximately \$5.4 million of the \$5.8 million deficit was due to a one-time transfer to the capital fund for the purchase of the Tony Clement Center for Education and the local share of a \$6.5 million capital project at the Edmund J. O'Neal Middle School of Excellence.
- 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, 2017, the School District had \$230,478,422 invested in buildings, computers, and other educational equipment.

**Figure A-8**

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

<u>Category</u>	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>	Percent <u>Change</u>
Land and land improvements	\$ 10.6	\$ 7.7	37.7%
Buildings	308.7	299.4	3.1%
Furniture and equipment	3.2	2.4	33.3%
Vehicles	<u>0.9</u>	<u>0.8</u>	12.5%
Total	323.4	310.3	4.2%
Less: Accumulated depreciation	<u>92.9</u>	<u>85.0</u>	9.3%
Net capital assets	<u>\$ 230.5</u>	<u>\$ 225.3</u>	2.3%

### Long-Term Debt

As of June 30, 2017, the School District had \$264,840,652 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>	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
General obligation bonds (financed with property taxes)	\$ 116.5	\$ 125.8
Other long-term debt	<u>148.4</u>	<u>149.3</u>
Total	<u>\$ 264.8</u>	<u>\$ 275.2</u>

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

- The School District is experiencing growing enrollment and as a consequence, renovated the newly named Edmund J. O'Neal Middle School of Excellence that can house 400-600 students opening in September of 2017. The project is estimated to cost \$6.5 million.
- 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 will begin in the fall of 2017 and extend to 2025.
- 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 which forced the School District to lease a building to accommodate the incoming students. Most recently, another charter school is expanding from middle school into elementary grade levels. Long-term, as charter students' return, the financial picture of the School District will improve.
- The School District is currently in labor contract negotiations with its two largest bargaining units that represent the teachers and support staff.
- 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. Based upon current inflationary trends, the tax cap calculation will be far below the 2% level in the next budget cycle.
- 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.
- 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, 2017**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:

Cash - Unrestricted	\$ 45,772,298
Cash - Restricted	20,916,103
Taxes receivable	4,638,957
State and federal aid receivable	11,059,736
Due from other governments, net	2,249,860
Other receivables, net	247,594
Inventory	52,166
Prepaid expenses	<u>145,777</u>
Total current assets	<u>85,082,491</u>

NON-CURRENT ASSETS:

Capital assets, net	<u>230,478,422</u>
Total assets	<u>315,560,913</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - TRS Pension	54,579,560
Deferred outflows of resources - ERS Pension	4,238,180
Deferred loss on bond refunding	<u>8,763,220</u>
Total deferred outflows of resources	<u>67,580,960</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:

Accounts payable	7,812,979
Retainage payable	172,767
Accrued liabilities	4,747,593
Accrued interest	488,737
Due to other governments	12,263
Unearned revenue	12,832
Overpayments and collections in advance	146,518
Due to teachers' retirement system	10,582,140
Due to employees' retirement system	654,125
BAN payable	23,853,839
Current portion of compensated absences payable	545,330
Current portion of workers compensation payable	728,506
Bonds payable due within one year	<u>9,225,000</u>
Total current liabilities	<u>58,982,629</u>

LONG-TERM LIABILITIES, net of current position

Bonds payable, less current portion	107,232,209
Bonds premium, net	13,314,283
Compensated absences	10,612,662
Accrued workers' compensation	683,972
Net pension liability	11,717,189
Other postemployment benefits obligation	<u>124,641,114</u>
Total long-term liabilities	<u>268,201,429</u>

Total liabilities

327,184,058

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - ERS Pension	1,083,715
Deferred inflows of resources - TRS Pension	<u>3,634,263</u>
Total deferred inflows of resources	<u>4,717,978</u>

**NET POSITION**

Net investment in capital assets	108,863,398
Restricted	20,916,103
Unrestricted	<u>(78,539,664)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 51,239,837</b></u>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS/PROGRAMS:</b>				
General support	\$ 30,349,272	9,049	-	\$ (30,340,223)
Instruction	214,701,384	2,192,188	18,451,998	(194,057,198)
Pupil transportation	8,573,408	-	-	(8,573,408)
Community services	75,263	-	-	(75,263)
Debt service - Interest	5,501,868	-	-	(5,501,868)
School lunch program	4,764,657	39,973	5,504,257	779,573
	<u>\$ 263,965,852</u>	<u>\$ 2,241,210</u>	<u>\$ 23,956,255</u>	<u>(237,768,387)</u>
<b>TOTAL FUNCTIONS AND PROGRAMS</b>				
<b>GENERAL REVENUE:</b>				
Real property taxes				103,738,687
Other tax items				15,921,640
Nonproperty taxes				3,749,092
Use of money and property				244,179
Sale of property and compensation for loss				26,675
Medicaid reimbursement				1,823,896
State sources				97,056,707
Miscellaneous				3,161,578
				<u>225,722,454</u>
<b>TOTAL GENERAL REVENUE</b>				<u>(12,045,933)</u>
<b>CHANGE IN NET POSITION</b>				
TOTAL NET POSITION - beginning of year				<u>63,285,770</u>
TOTAL NET POSITION - end of year				<u>\$ 51,239,837</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, 2017

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>ASSETS</b>						
Cash - Unrestricted	\$ 24,385,586	-	\$ 2,690,898	\$ 18,696,024	\$ (210)	\$ 45,772,298
Cash - Restricted	19,536,937	-	-	-	1,379,166	20,916,103
Taxes receivable	4,638,957	-	-	-	-	4,638,957
State and federal aid receivable	5,181,061	5,360,830	401,184	116,661	-	11,059,736
Due from other governments, net	2,249,860	-	-	-	-	2,249,860
Due from other funds	5,060,625	-	-	-	210	5,060,835
Other receivables, net	246,931	663	-	-	-	247,594
Inventory	-	-	52,166	-	-	52,166
Prepaid expenditures	145,777	-	-	-	-	145,777
<b>TOTAL ASSETS</b>	<b>\$ 61,445,734</b>	<b>\$ 5,361,493</b>	<b>\$ 3,144,248</b>	<b>\$ 18,812,685</b>	<b>\$ 1,379,166</b>	<b>\$ 90,143,326</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 6,275,834	\$ 491,603	\$ 163,655	\$ 1,054,654	\$ -	\$ 7,985,746
Accrued liabilities	4,728,623	18,970	-	-	-	4,747,593
Due to other governments	12,263	-	-	-	-	12,263
Due to other funds	-	4,837,997	122,586	100,252	-	5,060,835
Due to teachers' retirement system	10,582,140	-	-	-	-	10,582,140
Due to employees' retirement system	654,125	-	-	-	-	654,125
Bond anticipation note payable	-	-	-	23,853,839	-	23,853,839
Compensated absences	545,330	-	-	-	-	545,330
Overpayments	146,518	-	-	-	-	146,518
Unearned revenue	-	12,832	-	-	-	12,832
<b>TOTAL LIABILITIES</b>	<b>22,944,833</b>	<b>5,361,402</b>	<b>286,241</b>	<b>25,008,745</b>	<b>-</b>	<b>53,601,221</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes and state aid	4,526,006	-	-	-	-	4,526,006

(Continued)

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

(Continued)  
**JUNE 30, 2017**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>FUND BALANCE:</b>						
Non-spendable:						
Inventory	-	-	52,166	-	-	52,166
Prepaid expenditures	145,777	-	-	-	-	145,777
Total non-spendable fund balance	145,777	-	52,166	-	-	197,943
Restricted:						
Workers' compensation	170,000	-	-	-	-	170,000
Unemployment insurance	41,567	-	-	-	-	41,567
Health insurance claims	753,618	-	-	-	-	753,618
Capital	6,444,000	-	-	-	-	6,444,000
Tax certiorari	2,287,752	-	-	-	-	2,287,752
Employee benefits	9,840,000	-	-	-	-	9,840,000
Debt service	-	-	-	-	1,379,166	1,379,166
Total restricted fund balance	19,536,937	-	-	-	1,379,166	20,916,103
Assigned:						
Unappropriated	496,990	91	2,805,841	(6,196,060)	-	(2,893,138)
Appropriated for subsequent year's expenditures	5,850,000	-	-	-	-	5,850,000
Total assigned fund balance	6,346,990	91	2,805,841	(6,196,060)	-	2,956,862
Unassigned	7,945,191	-	-	-	-	7,945,191
<b>TOTAL FUND BALANCE</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>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 61,445,734</b>	<b>\$ 5,361,493</b>	<b>\$ 3,144,248</b>	<b>\$ 18,812,685</b>	<b>\$ 1,379,166</b>	<b>\$ 90,143,326</b>

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, 2017**

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

Total governmental fund balance per above	\$ 32,016,099
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	230,478,422
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	8,763,220
GASB 68 related government wide activity:	
Deferred outflows of resources	58,817,740
Net pension liability	(11,717,189)
Deferred inflows of resources	(4,717,978)
Long-term bonds payable are not due in the current period and, therefore, are not reported in the funds	(116,457,209)
Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	(13,314,283)
Compensated absences due in more than one year are recognized as a liability under full accrual accounting	(10,612,662)
Other postemployment benefits are recognized as a liability under full accrual accounting	(124,641,114)
Long-term liabilities, including accrued workers' compensation are not due and payable in the current period and, therefore, are not reported in the funds	(1,412,478)
Unearned revenue not received in the current year is recognized as revenue under full accrual accounting	4,526,006
Interest payable at June 30, 2017, in the government-wide statements is recorded as an expense under full accrual accounting	<u>(488,737)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 51,239,837</u></b>

**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, 2017**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>REVENUE:</b>						
Real property taxes	\$ 106,439,000	-	-	\$ -	-	\$ 106,439,000
Other tax items	15,921,640	-	-	-	-	15,921,640
Nonproperty taxes	3,749,092	-	-	-	-	3,749,092
Charges for services	1,783,042	-	-	-	-	1,783,042
Use of money and property	125,630	-	-	-	1,830	127,460
Sale of property and compensation for loss	26,675	-	-	-	-	26,675
Miscellaneous	3,156,744	418,195	4,832	-	-	3,579,771
State sources	95,451,491	6,659,960	124,571	1,605,216	-	103,841,238
Federal sources	-	11,792,038	4,912,997	-	-	16,705,035
Medicaid reimbursement	1,823,896	-	466,689	-	-	1,823,896
Surplus food	-	-	39,973	-	-	466,689
Sales - School lunch	-	-	-	-	-	39,973
Total revenue	<u>228,477,210</u>	<u>18,870,193</u>	<u>5,549,062</u>	<u>1,605,216</u>	<u>1,830</u>	<u>254,503,511</u>
<b>EXPENDITURES:</b>						
General support	16,966,599	-	-	-	-	16,966,599
Instruction	143,312,307	17,480,173	-	-	-	160,792,480
Pupil transportation	8,295,019	220,110	-	-	-	8,515,129
Community services	-	75,263	-	-	-	75,263
Employee benefits	45,603,197	1,377,506	640,393	-	-	47,621,096
Debt service - Principal	350,026	-	-	-	9,030,000	9,380,026
Debt service - Interest	13,701	-	-	-	5,673,975	5,687,676
Cost of sales	-	-	4,011,876	-	-	4,011,876
Capital outlay	-	-	-	13,860,788	-	13,860,788
Total expenditures	<u>214,540,849</u>	<u>19,153,052</u>	<u>4,652,269</u>	<u>13,860,788</u>	<u>14,703,975</u>	<u>266,910,933</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>13,936,361</u>	<u>(282,859)</u>	<u>896,793</u>	<u>(12,255,572)</u>	<u>(14,702,145)</u>	<u>(12,407,422)</u>
<b>OTHER SOURCES AND (USES):</b>						
Premium on bond issuance	-	-	-	-	116,719	116,719
Operating transfers in	320,106	489,553	-	5,405,000	14,169,000	20,383,659
Operating transfers (out)	<u>(20,063,553)</u>	<u>(320,106)</u>	-	-	-	<u>(20,383,659)</u>
Total other sources (uses)	<u>(19,743,447)</u>	<u>169,447</u>	-	<u>5,405,000</u>	<u>14,285,719</u>	<u>116,719</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(5,807,086)</u>	<u>(113,412)</u>	<u>896,793</u>	<u>(6,850,572)</u>	<u>(416,426)</u>	<u>(12,290,703)</u>
<b>FUND BALANCE - beginning of year</b>	<u>39,781,981</u>	<u>113,503</u>	<u>1,961,214</u>	<u>654,512</u>	<u>1,795,592</u>	<u>44,306,802</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 33,974,895</u>	<u>\$ 91</u>	<u>\$ 2,858,007</u>	<u>\$ (6,196,060)</u>	<u>\$ 1,379,166</u>	<u>\$ 32,016,099</u>

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, 2017**

Net change in fund balance - Total governmental funds	\$ (12,290,703)
Capital outlays, net of disposals are expenditures in governmental funds, but are capitalized in the statement of net position	13,053,340
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(7,877,163)
Pension expense resulting from GASB 68 related pension actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	83,091
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	9,380,140
Bond premiums amortization is not recorded as revenue in the governmental funds, but is recorded in the statement of activities	861,119
Deferred loss on bond refundings amortization is not recorded as expenditures in the governmental funds, but are recorded in the statement of activities	(559,242)
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(11,751,904)
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	(2,700,313)
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>(244,298)</u>
Change in net position - Governmental activities	<u>\$ (12,045,933)</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, 2015**

	<i>Private Purpose Trusts</i>	<u>Agency</u>
<b>ASSETS:</b>		
Cash	-	\$ 152,179
Restricted cash	343,701	192,728
Investment in securities	1,523,354	-
Due from other funds	<u>-</u>	<u>2,400</u>
Total assets	<u>\$ 1,867,055</u>	<u>\$ 347,307</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	-	192,728
Due to other funds	2,400	-
Other liabilities	<u>-</u>	<u>154,579</u>
Total liabilities	<u>2,400</u>	<u>\$ 347,307</u>
<b>NET POSITION:</b>		
Reserved for scholarships	<u>\$ 1,864,655</u>	

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

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<i>Private Purpose Trusts</i>
<b>ADDITIONS:</b>	
Gifts and contributions	1,700
Loss on sale of securities	(697)
Investment earnings	<u>14,845</u>
Total additions	15,848
<b>DEDUCTIONS:</b>	
Scholarships and awards	<u>58,942</u>
Change in net position	(43,094)
NET POSITION - beginning of year	<u>1,907,749</u>
NET POSITION - end of year	<u>\$ 1,864,655</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, 2017

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### 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.

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

**Capital Assets, Net (Continued)**

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

**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.

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

### Other Postemployment Benefits (Continued)

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, 2017 by recording \$11,751,904, which is its share of insurance premiums for 968 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 \$124,641,114 as of June 30, 2017.

### **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.

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

**Accrued Liabilities and Long-Term Obligations (Continued)**

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.

**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:

Workers' compensation	\$ 170,000
Unemployment insurance	41,567
Health insurance claims	753,618
Capital	6,444,000
Tax certiorari	2,287,752
Employee benefits	9,840,000
Debt service	<u>1,379,166</u>
Total restricted net position	<u>\$ 20,916,103</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.



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

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

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.

#### 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.

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

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

#### 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.

#### 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.

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

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

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, 2017.

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 \$496,990. As of June 30, 2017, the School District's encumbrances were classified as follows:

Instruction	\$	407,411
General support		89,260
Pupil transportation		319
Total encumbrances	\$	<u>496,990</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.

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

### **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.

#### 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.

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

**Stewardship and Compliance (Continued)**

Budgets (Continued)

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. CASH**

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>\$ 70,401,931</u>	<u>\$ 67,033,308</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 69,901,931	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 70,401,931</u>	

## 2. CASH (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 workers' compensation	\$ 170,000
Cash on deposit for unemployment insurance	41,567
Cash on deposit for health insurance claims	753,618
Cash on deposit for capital	6,444,000
Cash on deposit for tax certiorari	2,287,752
Cash on deposit for employee benefits	<u>9,840,000</u>
Total general fund	<u>\$ 19,536,937</u>

Debt service fund:

Cash on deposit for debt service

Trust and agency fund: \$ 1,379,166

Cash on deposit for extraclassroom activity funds \$ 192,728

## 3. 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 2016-2017 school year scholarship awards amounted to \$58,942. At June 30, 2017, principal and income portions were as follows:

Principal	\$ 1,550,831
Loss	<u>(27,477)</u>
Total	<u>\$ 1,523,354</u>

At June 30, 2017 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.

#### 4. CAPITAL ASSETS, NET

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

	July 1, 2016 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2017 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 5,020,491	\$ -	\$ -	\$ 5,020,491
Construction in progress	<u>5,634,189</u>	<u>11,349,661</u>	<u>2,119,039</u>	<u>14,864,811</u>
Total non-depreciable historical cost	<u>10,654,680</u>	<u>11,349,661</u>	<u>2,119,039</u>	<u>19,885,302</u>
Capital assets that are depreciated:				
Buildings	293,737,543	55,800	-	293,793,343
Land improvements	2,675,896	2,862,293	-	5,538,189
Furniture and equipment	2,397,294	800,953	-	3,198,247
Vehicles	<u>823,321</u>	<u>103,672</u>	-	<u>926,993</u>
Total depreciable historical cost	<u>299,634,054</u>	<u>3,822,718</u>	-	<u>303,456,772</u>
Less accumulated depreciation:				
Buildings	80,564,223	7,424,342	-	87,988,565
Land improvements	2,312,211	164,765	-	2,476,976
Furniture and equipment	1,524,949	211,181	-	1,736,130
Vehicles	<u>585,106</u>	<u>76,875</u>	-	<u>661,981</u>
Total accumulated depreciation	<u>84,986,489</u>	<u>7,877,163</u>	-	<u>92,863,652</u>
Total capital assets, net	<u>\$225,302,245</u>	<u>\$ 7,295,216</u>	<u>\$ 2,119,039</u>	<u>\$230,478,422</u>

Construction in progress relates to the construction costs of the government-wide reconstruction project as of June 30, 2017.

Depreciation expense for the year ended June 30, 2017, was allocated to specific functions as follows:

General support	\$ 30,076
Operation of plant	7,424,342
Instruction	338,351
Transportation	76,875
Cost of sales	<u>7,519</u>
Total	<u>\$ 7,877,163</u>

## 5. LONG-TERM LIABILITIES

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

Interest paid	\$ 5,687,676
Less interest accrued in prior year	(372,668)
Less amortization expense on bond premium	(861,119)
Plus amortization expense on deferred loss on refunding	559,242
Plus interest accrued in current year	<u>488,737</u>
Total expense	<u>\$ 5,501,868</u>

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	\$ 945,000	\$ -	\$ 460,000	\$ 485,000	\$ 485,000	\$ -
Capital projects - 2009	9,010,000	-	2,855,000	6,155,000	3,000,000	3,155,000
Capital projects - 2010	22,470,000	-	2,785,000	19,685,000	2,930,000	16,755,000
Capital projects - 2011	14,820,000	-	1,560,000	13,260,000	1,645,000	11,615,000
Capital projects - 2012	2,515,000	-	180,000	2,335,000	180,000	2,155,000
Capital projects - 2014	18,800,000	-	1,175,000	17,625,000	970,000	16,655,000
Capital projects - 2016	11,925,000	-	5,000	11,920,000	5,000	11,915,000
Capital projects - 2016	43,380,000	-	10,000	43,370,000	10,000	43,360,000
NYPAs projects	23,655	-	23,655	-	-	-
NYPAs projects	294,427	-	140,769	153,658	-	153,658
NYPAs projects	1,047,013	-	134,611	912,402	-	912,402
NYPAs projects	<u>607,242</u>	<u>-</u>	<u>51,093</u>	<u>556,149</u>	<u>-</u>	<u>556,149</u>
Total bonds and notes payable	<u>\$125,837,337</u>	<u>\$ -</u>	<u>\$ 9,380,128</u>	<u>\$116,457,209</u>	<u>\$ 9,225,000</u>	<u>\$107,232,209</u>
Other long-term liabilities:						
Accrued workers' compensation	1,522,868	-	110,390 (A)	1,412,478	728,506	683,972
Bond premium	14,175,402	-	861,119	-	-	13,314,283
Compensated absences	10,374,157	238,505 (A)	-	10,612,662	-	10,612,662
Net pension liability	10,375,041	1,342,148	-	11,717,189	-	11,717,189
Other postemployment benefits	112,889,210	11,751,904	-	124,641,114	-	124,641,114
Total other long-term debt	<u>149,336,678</u>	<u>13,332,557</u>	<u>971,509</u>	<u>148,383,443</u>	<u>728,506</u>	<u>160,969,220</u>
Total long-term liabilities	<u>\$275,174,015</u>	<u>\$ 13,332,557</u>	<u>\$ 10,351,637</u>	<u>\$264,840,652</u>	<u>\$ 9,953,506</u>	<u>\$268,201,429</u>

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



## 5. LONG-TERM DEBT (Continued)

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	June 30, 2017 <u>Balance</u>
Capital Projects - 2008	2008	2018	5.25%	\$ 485,000
Capital Projects - 2009	2009	2019	5.00%	6,155,000
Capital Projects - 2010	2010	2027	4.88%	19,685,000
Capital Projects - 2011	2011	2025	5.00%	13,260,000
Capital Projects - 2012	2012	2028	1.60%	2,335,000
Capital Projects - 2014	2014	2032	3.00%	17,625,000
Capital Projects - 2016	2016	2035	2.00%	11,920,000
Capital Projects - 2016	2016	2036	2.00%	43,370,000
NYPA Projects	2007	2017	1.92%	-
NYPA Projects	2003	2018	1.92%	153,658
NYPA Projects	2009	2024	1.92%	912,402
NYPA Projects	2012	2027	1.92%	556,149
Total				<u>\$116,457,209</u>

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	9,552,402	5,186,799	14,739,201
2019	9,769,457	4,757,343	14,526,800
2020	10,159,417	4,305,649	14,465,066
2021	9,736,320	3,862,147	13,598,467
2022	9,178,242	3,403,175	12,581,417
2023-2027	32,777,996	11,565,820	44,343,816
2028-2032	23,643,375	5,428,021	29,071,396
2033-2036	<u>11,640,000</u>	<u>925,325</u>	<u>12,565,325</u>
Totals	<u>\$116,457,209</u>	<u>\$ 39,434,279</u>	<u>\$155,891,488</u>

## 6. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 5,060,625	\$ -	\$ 320,106	\$ 20,063,553
Special aid fund	-	4,837,997	489,553	320,106
School lunch fund	-	122,586	-	-
Trust & Agency Fund	2,400	-	-	-
Private Purpose Fund	-	2,400	-	-
Debt service fund	210	-	14,169,000	-
Capital fund	-	100,252	5,405,000	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total governmental activities	<u>\$ 5,063,235</u>	<u>\$ 5,063,235</u>	<u>\$ 20,383,659</u>	<u>\$ 20,383,659</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.

## 7. 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.

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.

## 7. PENSION PLANS (Continued)

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

#### *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:

2017	\$	2,590,429
2016		2,496,848
2015		3,029,415

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.

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, 2015.

## 7. PENSION PLANS (Continued)

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

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

At June 30, 2017, the School District reported a liability of \$6,196,448 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 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, 2017, the School District's proportion was 0.0659462 percent, which was an increase of 0.0013053% from its proportion measured June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$3,525,690. At June 30, 2017, 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
	<u>          </u>	<u>          </u>
Differences between expected and actual experience	155,277	940,966
Changes of Assumptions	2,116,934	-
Net difference between projected and actual earnings on pension plan investments	1,237,682	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	74,162	142,749
Contributions subsequent to the measurement date	654,125	-
	<u>4,238,180</u>	<u>1,083,715</u>

\$654,125 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, 2017. 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:		
2018	\$	1,152,836
2019		1,152,836
2020		1,022,439
2021		<u>(827,771)</u>
	\$	<u>2,500,340</u>

## 7. PENSION PLANS (Continued)

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

#### **Actuarial Assumptions**

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. 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, 2017 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%	7.75%
Real Estate	10.0%	5.80%
Absolute Return	2.0%	4.00%
Opportunistic Portfolio	3.0%	5.89%
Real Asset	3.0%	5.54%
Bonds, Cash & Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation Indexed Bonds	4.0%	1.50%
	<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.

## 7. 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)	\$ 19,790,228	\$ 6,196,448	\$ (5,297,067)

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

The components of the current-year net pension liability of the employers as of March 31, 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	\$177,400,586,000	\$ 116,988,945	0.0659462%
Net position	(168,004,363,000)	(110,792,496)	0.0659462%
Net pension liability (asset)	<u>\$ 9,396,223,000</u>	<u>\$ 6,196,449</u>	0.0659462%
Fiduciary net position as a percentage of total pension liability	94.7%	94.7%	

### 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.

**7. 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:

2017	\$ 10,582,140
2016	11,268,342
2015	13,318,695

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

At June 30, 2017, the School District reported a liability of \$5,520,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 the School District's proportion was 0.515455 percent, which was an increase of .031063 percent from its proportion measured June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$8,153,789. At June 30, 2017 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	\$ -	\$ 1,793,446
Changes of Assumptions	31,449,647	-
Net difference between projected and actual earnings on pension plan investments	12,413,525	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	134,248	1,840,817
Contributions subsequent to the measurement date	10,582,140	-
	<u>\$ 54,579,560</u>	<u>\$ 3,634,263</u>

\$10,582,140 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, 2017. 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:	
2017	\$ 3,560,971
2018	3,560,971
2019	13,201,657
2020	10,202,159
2021	4,528,058
Thereafter	5,309,341
	<u>\$ 40,363,157</u>

## 7. PENSION PLANS (Continued)

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

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. 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, 2015 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	37.0%	6.1%
International Equity	18.0%	7.3%
Real Estate	10.0%	5.4%
Alternative Investments	7.0%	9.2%
Domestic fixed Income Securities	17.0%	1.0%
Global Fixed Income Securities	2.0%	0.8%
Mortgages	8.0%	3.1%
Short - term fixed income	1.0%	0.1%
	<u>100.0%</u>	



## 7. PENSION PLANS (Continued)

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

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1 % Decrease <u>(6.0%)</u>	Current <u>Assumption (7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 19,790,228	\$ 6,196,448	\$ (5,297,067)

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

The components of the current-year net pension (asset) of the employers as June 30, 2016, 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	\$108,577,184,039	\$ 559,666,524	0.5154550%
Net position	<u>(107,506,142,099)</u>	<u>(554,145,784)</u>	0.5154550%
Net pension liability (asset)	<u>\$ 1,071,041,940</u>	<u>\$ 5,520,740</u>	0.5154550%
Fiduciary net position as a percentage of total pension liability	99.0%	99.0%	

## 8. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

The School District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the School District's contractual agreements. The School District is required to calculate and record a net other postemployment benefit (OPEB) obligation at year-end. The net OPEB obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The School District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund level financial statements as payments are made. For the year ended June 30, 2017, the School District recognized \$11,751,904 for the claims paid for currently enrolled retirees for the self-insurance health plan. The claims were paid for 901 currently enrolled retirees.

The School District has obtained an actuarial valuation report as of July 1, 2016 which indicates that the total liability for other postemployment benefits as June 30, 2017 is \$124,641,114.

Funding Policy: The contribution requirements of Plan members and the School District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go".

Annual OPEB Cost and Net OPEB Obligation: The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 20,109,976
Interest on net OPEB obligation	5,644,461
Adjustment to annual required contribution	<u>(4,228,219)</u>
Annual OPEB cost (expense)	21,526,218
Contributions made	<u>9,774,314</u>
Increase in net OPEB obligation	11,751,904
NET OPEB obligation - beginning of year	<u>112,889,210</u>
NET OPEB obligation - end of year	<u>\$124,641,114</u>

## 8. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

*Trend information* – The School District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 21,526,218	\$ 9,774,314	45%	\$124,641,114
6/30/2016	\$ 20,421,913	\$ 9,689,500	47%	\$112,889,210
6/30/2015	\$ 19,676,277	\$ 10,236,574	52%	\$102,156,797

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The UAAL is being amortized as a level percentage of projected payroll on a 30 year open basis. The remaining amortization period at June 30, 2017, was 25 years.

## 9. 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.

## 9. 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.

## 10. 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. At June 30, 2017, there was \$170,000 in this reserve.

## 10. 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, 2017, 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 2017:

	<u>Health</u>	<u>Workers' Compensation</u>	<u>Unemployment</u>
Unpaid claims and claim adjustment - beginning of year	\$ 2,174,268	\$ 1,780,868	\$ -
Incurred claims and claim adjustment expenses:			
Provision for incurred claims expenses for events of the current year	<u>26,534,782</u>	<u>6,265,820</u>	<u>26,725</u>
Total incurred claims and claims adjustment expenses	28,709,050	8,046,688	26,725
Payments made for claims arising during the current year	<u>26,537,911</u>	<u>6,634,209</u>	<u>26,725</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 2,171,139</u>	<u>\$ 1,412,479</u>	<u>\$ -</u>

## 11. 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.

## 12. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines 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 employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The District is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early adoption encouraged.

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 March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues identified in the implementation and application of certain GASB Statements affecting including but not limited to pensions and other postemployment benefits. The School District is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early adoption encouraged.

## **12. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED (Continued)**

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, 2017**

<b>REVENUE</b>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
Local Sources:					
Real property taxes	\$ 103,659,129	\$ 104,765,494	\$ 106,439,000	\$ -	\$ 1,673,506
Other tax items	17,886,273	16,779,908	15,921,640	-	(858,268)
Nonproperty taxes	4,200,000	4,200,000	3,749,092	-	(450,908)
Charges for services	1,891,000	1,891,000	1,783,042	-	(107,958)
Use of money and property	69,100	69,100	125,630	-	56,530
Sale of property and compensation for loss	14,000	14,000	26,675	-	12,675
Miscellaneous	<u>1,657,000</u>	<u>2,307,000</u>	<u>3,156,744</u>	<u>-</u>	<u>849,744</u>
Total local sources	129,376,502	130,026,502	131,201,823	-	1,175,321
State sources	97,659,413	97,659,413	95,451,491	-	(2,207,922)
Medicaid reimbursement	<u>500,000</u>	<u>500,000</u>	<u>1,823,896</u>	<u>-</u>	<u>1,323,896</u>
Total revenue	<u>227,535,915</u>	<u>228,185,915</u>	<u>228,477,210</u>	<u>-</u>	<u>291,295</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds	<u>168,000</u>	<u>168,000</u>	<u>320,106</u>	<u>-</u>	<u>152,106</u>
Total revenue and other financing sources	<u>227,703,915</u>	<u>228,353,915</u>	<u>228,797,316</u>	<u>-</u>	<u>443,401</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
General support					
Board of education	\$ 133,889	\$ 224,530	\$ 161,224	\$ 15,600	\$ 47,706
Central administration	392,138	434,741	429,966	-	4,775
Finance	883,317	917,643	912,395	-	5,248
Staff	1,152,612	1,264,111	1,214,480	3,085	46,546
Central services	11,729,439	11,918,459	11,741,346	70,575	106,538
Special items	1,107,300	2,518,340	2,507,188	-	11,152
Total general support	<u>15,398,695</u>	<u>17,277,824</u>	<u>16,966,599</u>	<u>89,260</u>	<u>221,965</u>
Instruction					
Instruction, administration & improvement	8,686,850	9,103,872	8,884,513	28,944	190,415
Teaching - regular school	90,537,520	89,808,198	88,279,932	258,614	1,269,652
Programs for students with disabilities	29,085,833	28,596,452	27,752,591	-	843,861
Occupational education	897,385	879,882	803,047	8,108	68,727
Teaching - special schools	834,855	895,731	883,876	-	11,855
Instructional media	3,112,668	3,045,697	2,691,931	53,607	300,159
Pupil services	16,606,893	15,472,200	14,016,417	58,138	1,397,645
Total instruction	<u>149,762,004</u>	<u>147,802,032</u>	<u>143,312,307</u>	<u>407,411</u>	<u>4,082,314</u>
Pupil transportation	7,914,112	8,336,952	8,295,019	319	41,614
Employee benefits	46,705,032	46,360,140	45,603,197	-	756,943
Debt service - Principal	351,349	351,349	350,026	-	1,323
Debt service - Interest	10,856	13,756	13,701	-	55
Total expenditures	220,142,048	220,142,053	214,540,849	496,990	5,104,214
<b>OTHER FINANCING USES</b>					
Transfers to other funds	<u>14,824,000</u>	<u>20,229,000</u>	<u>20,063,553</u>	<u>-</u>	<u>165,447</u>
Total expenditures and other uses	<u>234,966,048</u>	<u>240,371,053</u>	<u>234,604,402</u>	<u>496,990</u>	<u>5,269,661</u>
NET CHANGE IN FUND BALANCE	(7,262,133)	(12,017,138)	(5,807,086)	(496,990)	5,713,062
FUND BALANCE - beginning of year	<u>39,781,981</u>	<u>39,781,981</u>	<u>39,781,981</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 32,519,848</u>	<u>\$ 27,764,843</u>	<u>\$ 33,974,895</u>	<u>\$ (496,990)</u>	<u>\$ 5,713,062</u>

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

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2016	\$ -	\$ 292,823,205	\$ 292,823,205	0%	\$ 106,964,140	273.8%
7/1/2015	\$ -	\$ 279,659,419	\$ 279,659,419	0%	\$ 100,772,882	277.5%
7/1/2014	\$ -	\$ 264,786,329	\$ 264,786,329	0%	\$ 92,350,430	286.7%
7/1/2013	\$ -	\$ 252,798,693	\$ 252,798,693	0%	\$ 91,995,080	274.8%

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

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset) (thousands)	0.0646409%	0.0646409%	0.0649258%							
Proportionate share of the net pension liability (asset)	\$ 6,196.4	\$ 10,375.0	\$ 2,193.4							
Covered-employee payroll	\$ 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	34.48%	61.87%	12.98%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	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.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset) (thousands)	0.484392%	0.484392%	0.489271%							
Proportionate share of the net pension liability (asset)	\$ 5,520.7	\$ (50,312.9)	\$ (54,501.7)							
Covered-employee payroll	\$ 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	6.94%	-69.15%	-75.41%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	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, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
(thousands)										
Contractually required contribution	\$ 2,572.7	\$ 2,622.7	\$ 3,255.9							
Contributions in relation to the contractually required contribution	2,572.7	2,622.7	3,255.9							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 17,973.0	\$ 16,769.1	\$ 16,903.0							
Contributions as a percentage of covered-employee payroll	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)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
(thousands)										
Contractually required contribution	\$ 10,547.0	\$ 12,755.2	\$ 11,744.4							
Contributions in relation to the contractually required contribution	10,547.0	12,755.2	11,744.4							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 79,539.9	\$ 72,762.3	\$ 72,273.0							
Contributions as a percentage of covered-employee payroll	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.

**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, 2017**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 234,053,914
Add: Prior year's encumbrances	<u>912,134</u>
Original budget	234,966,048
Budget revisions	<u>5,405,005</u>
Final budget	<u><u>\$ 240,371,053</u></u>

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

2017-18 voter-approved expenditure budget	\$ 240,177,508
Maximum allowed (4% of subsequent year's budget):	9,607,100
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :	
Unrestricted fund balance:	
Assigned fund balance	\$ 6,346,990
Unassigned fund balance	<u>7,945,191</u>
Total unrestricted fund balance	<u>\$ 14,292,181</u>
Less:	
Appropriated fund balance	\$ 5,850,000
Encumbrances included in committed and assigned fund balance	<u>496,990</u>
Total adjustments	<u>\$ 6,346,990</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 7,945,191</u>
Actual percentage	3.31%

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, 2017**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance 30-Jun-17
			Prior Years	Current Year	Total		State Aid	Local Sources	Total	
Capital Projects - \$240M Summary	\$ 164,603,000	\$ 204,240,000	\$ 203,401,488	-	\$ 203,401,488 *	\$ 838,512	\$ 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	-	2,109,465	7,785,465	711,267
Abrooklin - Excel Project	-	3,809,933	3,734,646	-	3,734,646	75,287	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	619,694	(67,869)	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	-	2,317,298	48,471	2,365,769	51,231	-	774,360	774,360	(1,591,409)
Albany High Press Box - Turf Field	67,000	-	30,573	589	31,162	35,838	-	67,000	67,000	35,838
Albany High School - \$179.9M	179,900,000	-	369,075	2,298,541	2,667,616	177,232,384	-	-	-	(2,667,616)
District Wide Reconstruction - \$13.9 Million	13,944,000	-	2,261,745	8,681,340	10,943,085	3,000,915	-	4,950,998	4,950,998	(5,992,087)
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	1,238,700	5,286,300	-	-	1,305,000	66,300
ASH NYPA Energy Project	-	-	787,610	-	787,610	(787,610)	-	-	787,610	-
395 Elk Building Purchase	4,100,000	-	-	55,800	55,800	4,044,200	-	4,100,000	4,100,000	4,044,200
Smart Schools Bond	2,100,827	-	-	1,605,216	1,605,216	495,611	1,605,216	-	1,605,216	-
	\$ 394,293,827	\$ 2,18,182,083	\$ 226,061,627	\$ 13,860,788	\$ 239,922,415	\$ 207,950,495	\$ 8,310,438	\$ 17,480,723	\$ 233,726,355	\$ (6,196,060)



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

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

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Capital assets, net		\$ 230,478,422
Deduct:		
BAN payable	23,853,839	
Short-term portion of bonds payable	9,225,000	
Long-term portion of bonds payable	107,232,209	
Less: Unspent proceeds	<u>(18,696,024)</u>	<u>121,615,024</u>
Net investment in capital assets		<u>\$ 108,863,398</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**

October 2, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 2, 2017.

**Internal Control Over Financial Reporting**

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

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

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

(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.

*Bonadio & Co., LLP*

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

October 2, 2017

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, 2017. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards.

***Auditor's Responsibility***

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

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

(Continued)

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT 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, 2017.

**Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

*Bonadio & Co., LLP*

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

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

Federal Grantor/Pass-Through Grantor/Program Title	<i>Federal CFDA Number</i>	<i>Pass Through Grant Number</i>	<i>Expenditures</i>	<i>Amounts Provided to Subrecipients</i>
<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	\$ 466,689	\$ -
School breakfast program	10.553	N/A	1,130,827	-
National school lunch program	10.555	N/A	3,676,482	-
Summer food service program for children	10.559	N/A	<u>101,566</u>	<u>-</u>
<i>Total Child Nutrition Cluster</i>			<u>5,375,564</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>5,375,564</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	0021-17-0005	4,244,615	-
Title I Grants to Local Educational Agencies	84.010	0021-16-0005	816,188	-
Title I Grants to Local Educational Agencies	84.010	0011-16-2012	184,589	-
Title I Grants to Local Educational Agencies	84.010	0011-17-2012	<u>505,555</u>	<u>-</u>
			<u>5,750,947</u>	<u>-</u>
<i>School Improvement Grants:</i>				
School Improvement Grants	84.377	0123-17-5110	421,702	-
School Improvement Grants	84.377	0123-16-5110	<u>62,560</u>	<u>-</u>
<i>Total School Improvement Grants</i>			<u>484,262</u>	<u>-</u>
<i>Special Education Cluster (IDEA):</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	0032-17-0001	3,239,838	-
Special Education - Preschool Grants (IDEA, Preschool)	84.173	0033-17-0001	<u>160,427</u>	<u>-</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>3,400,265</u>	<u>-</u>
VATEA, General	84.048	8000-17-0084	111,271	-
Twenty-First Century Community Learning Center	84.287	0187-17-6083	895,148	-
English Language Acquisition Grants - Title IIIA	84.365	0149-17-0005	3,112	-
English Language Acquisition Grants - Title IIIA	84.365	0149-16-0005	44,384	-
English Language Acquisition Grants - Title IIIA	84.365	0293-17-0005	113,885	-
English Language Acquisition Grants - Title IIIA	84.365	0293-16-0005	61,413	-
Title II Part B - Math - Science	84.366	0294-17-0212	156,989	-
Title II Part A - Teaching	84.367	0147-16-0005	65,215	-
Title II Part A - Teaching	84.367	0147-17-0005	<u>653,197</u>	<u>-</u>
Total New York State Education Department			<u>11,740,088</u>	<u>-</u>
Passed through Cornell University:				
Promoting Readiness of Minors in Supplemental Security Income	84.418	#25785 2016	22,322	-
Promoting Readiness of Minors in Supplemental Security Income	84.418	#25785 2017	<u>78,317</u>	<u>100,639</u>
Total U.S. Department of Education			<u>11,840,727</u>	<u>100,639</u>
<b>U.S. Department of Health and Human Services</b>				
Direct program:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	2016	5,309	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	2017	<u>6,452</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>11,761</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 17,228,052</u>	<u>\$ 100,639</u>

# CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2017

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### 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, 2017. 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.

### 6. NONCASH ASSISTANCE

The School District received noncash assistance is reported totaling \$466,689 (CFDA 10.555) in the form of food commodities for the year ended June 30, 2017.



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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

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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, 2017**

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**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:

CFDA Number(s)      Name of Federal Program or Cluster

10.553/10.555/10.559 Child Nutrition Cluster

84.287                      Twenty-First Century Community Learning Centers

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, 2017**

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#### **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.