

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

**Financial Statements and Required Reports  
Under the Uniform Guidance as of  
June 30, 2016**

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

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited).....	3-13
FINANCIAL STATEMENTS	
Statement of net position .....	14
Statement of activities .....	15
Balance sheet – governmental funds.....	16-17
Reconciliation of total governmental fund balance to government-wide net position .....	18
Statement of revenue, expenditures, and change in fund balance – governmental funds..	19
Reconciliation of the statement of revenue, expenditures, and change in fund balance to the statement of activities.....	20
Statement of fiduciary net position - Fiduciary funds .....	21
Statement of change in net position - Fiduciary funds.....	21
Notes to financial statements.....	22-50
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of revenue, expenditures, and change in fund balance – budget and actual - general fund.....	51-52
Schedule of funding progress – other postemployment benefits plan .....	53
Schedule of proportionate share of net pension liability (asset).....	54
Schedule of contributions – pension plans.....	55
OTHER INFORMATION (UNAUDITED)	
Schedule of change from original budget to revised budget – general fund .....	56
Schedule of Section 1318 of Real Property Tax Law Limit calculation – general fund.....	56
Schedule of project expenditures - capital projects fund .....	57
Schedule of net investment in capital assets .....	58

## CONTENTS (Continued)

	<u>Page</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 <i>Government Auditing Standards</i> .....	59-60
Independent auditor's report on compliance for each major federal program; and Report on internal control over compliance required by Uniform Guidance.....	61-62
Schedule of expenditures of federal awards.....	63
Notes to schedule of expenditures of federal awards.....	64
Schedule of prior audit findings.....	65
Schedule of findings and questioned costs .....	66-67

## INDEPENDENT AUDITOR'S REPORT

September 29, 2016

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 (the District) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **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, 2016, 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)

### 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.

### Report on Other and Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 them.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

## CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

---

*The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2016. This portion of the report is a summary of the 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 District's financial statements, which immediately follow this section.*

#### FINANCIAL HIGHLIGHTS

- The District continues to offer a sound educational plan that supports student achievement.
- The 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 1.3% *government-wide* primarily due to an increase in state aid. State aid increased by approximately \$3.3 million from the prior year.
- Expenditures increased 5.1% *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 \$3.5 million surplus of revenues over expenditures in 2015-16.
- There will be eight Charter Schools open in the 2016-17 school year, with an estimated enrollment of 2,200 students. The projected cost of the Charter Schools is estimated to be \$33 million or 14.13% of the school budget. Previously, enrollment in charter schools has been as high as 2,300.

#### 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 District:

- The first two statements are *government-wide* financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements. The fund financial statements concentrate on the 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 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 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**

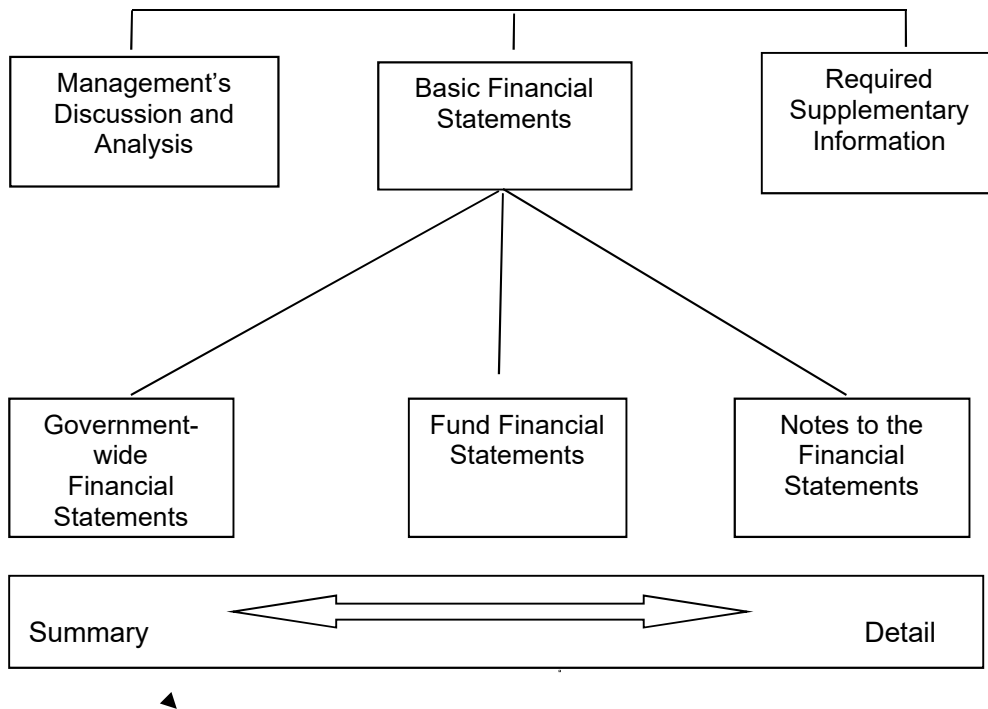


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education	Instances in which the 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 District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the 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 District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – are one way to measure the District's financial health or position.



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-Wide Statements (Continued)

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors, such as changes in the 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 District's funds – not the District as a whole. Funds are accounting devices the 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 District has two kinds of funds:

- **Governmental Funds:** Most of the 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 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 District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 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>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Current and other assets	\$ 72.4	\$ 77.4	-6.5%
Non-current assets	<u>275.6</u>	<u>282.0</u>	-2.3%
Total assets	<u>348.0</u>	<u>359.4</u>	-3.2%
Deferred outflows of resources	<u>30.4</u>	<u>15.6</u>	
Current liabilities	31.4	34.0	-7.6%
Long-term liabilities	<u>265.0</u>	<u>247.7</u>	7.0%
Total liabilities	<u>296.4</u>	<u>281.7</u>	5.2%
Deferred inflows of resources	<u>17.3</u>	<u>37.4</u>	
Net position:			
Net investment in capital assets	101.3	96.1	5.4%
Restricted	25.0	24.9	0.4%
Unrestricted	<u>(63.0)</u>	<u>(65.0)</u>	-3.1%
Total net position	<u>\$ 63.3</u>	<u>\$ 56.0</u>	13.0%

- Total assets decreased primarily due to the decrease in cash and non-current capital assets. Total non-current capital assets decreased due to depreciation.
- The -7.6% (decrease) in current liabilities can be attributed to a decrease in the teachers' retirement system pension liability.
- 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 5.4% primarily due to a decrease in the long-term liability as a result of reissuing bonds at lower interest rates.
- The deficit in unrestricted net position decreased as a result of changes in assets, liabilities, capital assets, and restricted net position as noted above.

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

### Changes in Net Position

The District's 2015-2016 revenue was \$240,707,941 (See Figure A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 43% and 36%, 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 \$233,434,165 for 2015-2016. These expenses are predominately for the education; supervision, food services, and transportation of students (see Figure A-6). The District's administrative and business activities including debt service accounted for 14% of total costs.

Net position increased during the year by \$7,273,776 primarily due to the net increase of revenues from operating grants and state sources.

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

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 2.3	\$ 2.6	-11.5%
Operating grants and contributions	23.3	21.2	9.9%
General revenue:			
Taxes	123.6	124.8	-1.0%
State formula aid	88.1	84.8	3.9%
Interest earnings	0.1	0.2	-50.0%
Miscellaneous	3.3	4.0	-17.5%
Total revenue	<u>240.7</u>	<u>237.6</u>	1.3%
<u>Expenses</u>			
General support	26.5	24.4	8.6%
Instruction	189.3	180.5	4.9%
Transportation	7.6	7.5	1.3%
Debt service - Interest	5.6	6.5	-13.8%
School lunch program	4.40	3.7	18.9%
Total expenses	<u>233.4</u>	<u>222.6</u>	4.9%
Increase (decrease) in net position	\$ 7.3	\$ 15.0	51.3%
NET POSITION - beginning of year, as originally restated	56.0	28.3	97.9%
TOTAL NET POSITION - beginning of the year, as restated	<u>56.0</u>	<u>28.3</u>	97.9%
TOTAL NET POSITION - end of year	<u>\$ 63.3</u>	<u>\$ 43.3</u>	46.2%

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

The District's 2015-16 revenues totaled \$240.7 million as compared to \$237.6 million for the previous year. While state aid and program revenue increased by \$5.1 million, the District also saw a reduction of \$.8 million of revenue in the areas of interest earnings and miscellaneous items.

Total expenditures increased \$11.3 million or 5.1% from prior year, mostly in the areas of instruction, general support, and the school lunch program.

Figure A-5:

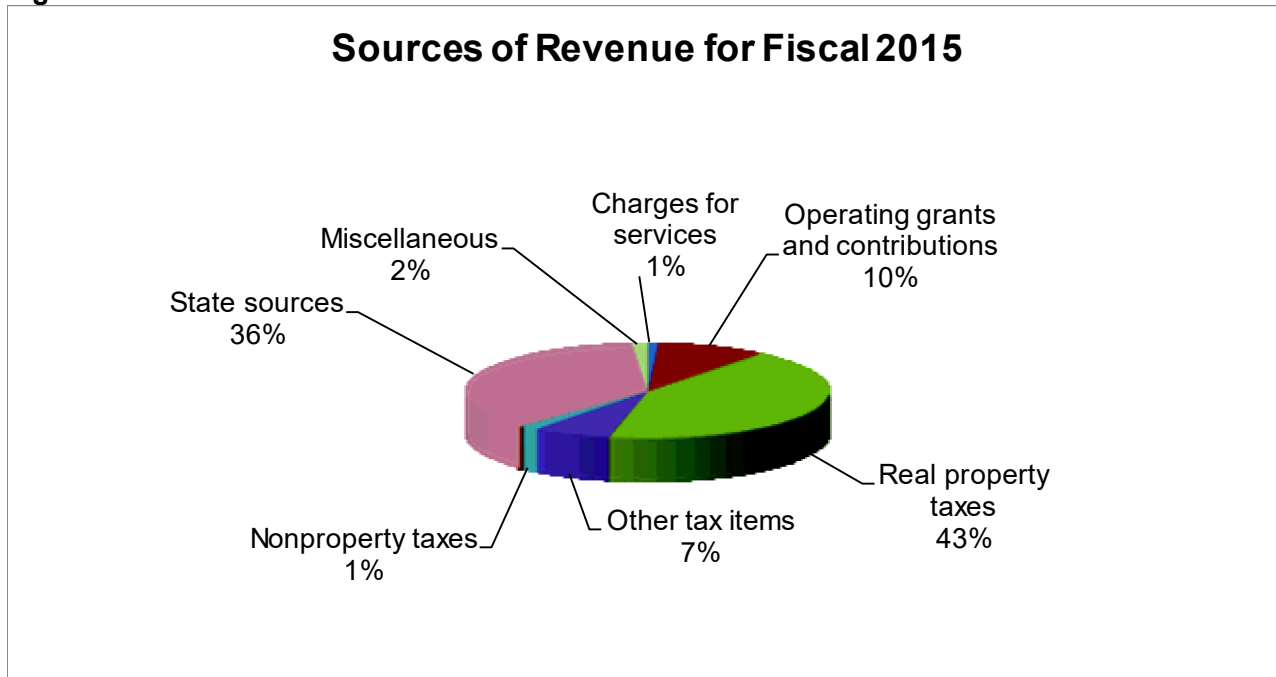
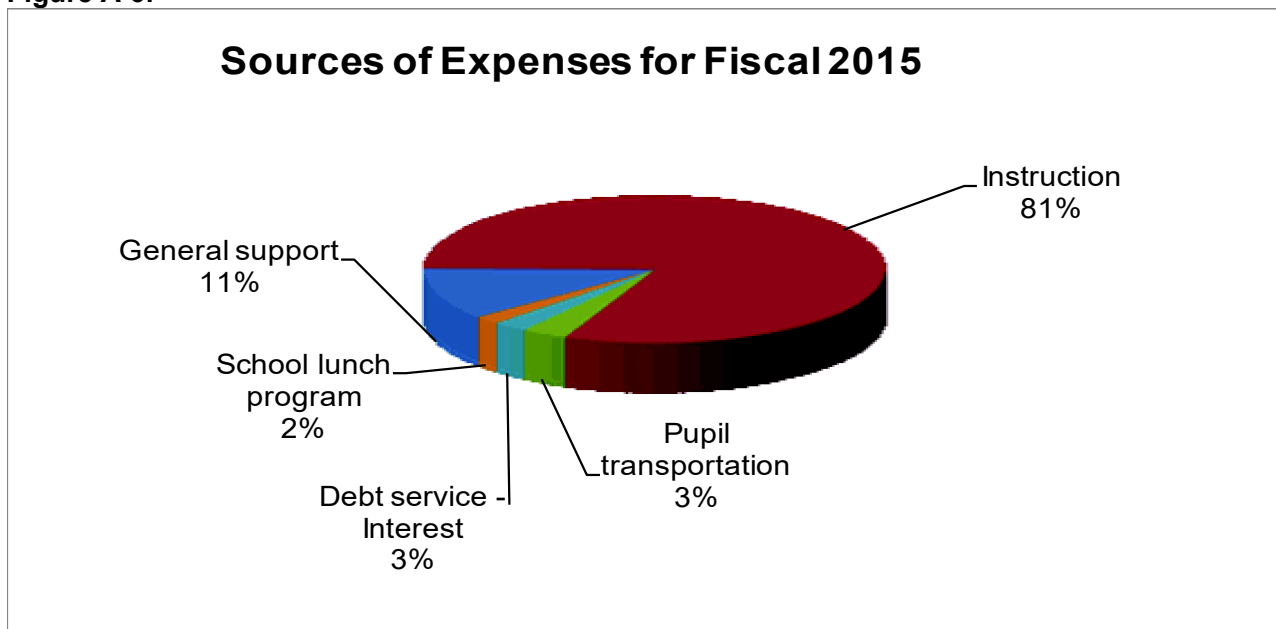


Figure A-6:



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

### Governmental Activities

Revenue for the District's governmental activities totaled \$240,707,941 while total expenses were \$233,434,165. Accordingly, net position increased by \$7,273,777. Overall revenues increased 1.3% from the prior year.

The District's 2015-16 revenues totaled \$240.7 million as compared to \$237.6 million for the previous year. While state aid increased by 3.9%, the miscellaneous revenue line which included a Microsoft revenue settlement in 2014-15, decreased \$.7 million.

Total expenditures increased \$11.3 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>2016</u>	Net Cost of Services <u>2016</u>	Total Cost Services <u>2015</u>	Net Cost of Services <u>2015</u>
General support	\$ 26.5	\$ 26.5	\$ 24.4	\$ 24.4
Instruction	189.3	169.1	180.5	161.3
Pupil transportation	7.6	7.6	7.5	7.5
Debt service - Interest	5.6	5.6	6.5	6.5
School lunch program	4.3	(1.1)	3.7	(0.9)
	<u>\$ 233.3</u>	<u>\$ 207.7</u>	<u>\$ 222.6</u>	<u>\$ 198.8</u>

- The cost of all governmental activities for the year was \$233,914,933.
- The users of the District's programs financed \$2,255,669 of the costs.
- The federal and state government financed \$23,293,305 of the costs.
- The majority of costs were financed by the District's taxpayers and unallocated NYS aid.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the government-wide financial statements. The 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 DISTRICT'S FUNDS (Continued)

### Governmental Funds Highlights

- General Fund – Revenues remained relatively flat in 2015-16 from prior year. In a continuing effort to help minimize and stabilize future tax levies, the District was able to increase the Capital reserve with unassigned fund balance for future projects. This management action will help to stabilize the District's financial position which was possible as a result of better than anticipated financial results in 2015-16. Expenses increased approximately \$3.6 million primarily in the instructional area to increase student resources.
- Special Aid Fund – The District's grant portfolio increased \$1.2 million from prior year. Grants for expanded Pre-k and persistently struggling schools contributed to this increase.
- School Lunch Fund – The District contracts with an external management company for food service operations. The program is financially self-sustaining.
- Capital Projects Fund – Activity in the capital projects fund increased due to construction activities relating to the \$13.9 million of district-wide projects underway. Additionally, a new turf field was constructed at the high school.
- Debt Service Fund – Most project costs have been financed as of 2015-16 year-end. The District exercised its option to recall some bonds and re-issue them at lower interest rates.

The following is a brief description of the activity in the governmental funds for 2016:

### 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 <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Variance <u>(Actual/Budget)</u>
Revenues:					
Local sources	\$ 129.1	\$ 129.1	\$ 128.7	\$ -	\$ (0.4)
State sources	90.4	90.4	88.1	-	(2.3)
Medicaid	0.5	0.5	0.7	-	0.2
Transfers in	0.2	0.2	0.4	-	0.2
Total	<u>220.2</u>	<u>220.2</u>	<u>217.9</u>	<u>-</u>	<u>(2.3)</u>
Expenditures:					
General support	14.7	16.5	15.7	-	0.8
Instruction	139.7	140.7	132.8	0.9	7.0
Pupil transportation	7.9	7.9	7.4	-	0.5
Employee benefits	46.4	45.3	43.3	-	2.0
Debt service	0.4	0.4	0.4	-	-
Transfers out	14.9	14.9	14.8	-	0.1
Total	<u>224.0</u>	<u>225.7</u>	<u>214.4</u>	<u>0.9</u>	<u>10.4</u>
Revenues over (under) expenditures	<u>\$ (3.8)</u>	<u>\$ (5.5)</u>	<u>\$ 3.5</u>	<u>\$ (0.9)</u>	<u>\$ 8.1</u>

Note: Amounts may vary due to rounding.

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

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

- The General Fund had a surplus of revenues over expenditures of approximately \$3.5 million. The District continues to take the unrestricted portion of fund balance in consideration when preparing subsequent budgets to ease the tax burden.
- In response to the uncertain fiscal climate, the District continued to closely monitor and control expenditures throughout the year.

### Capital Assets

As of June 30, 2016, the District had \$225,302,245 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>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Land and land improvements	\$ 7.7	\$ 7.8	-1.3%
Buildings	299.4	294.2	1.8%
Furniture and equipment	2.4	2.4	0.0%
Vehicles	<u>0.8</u>	<u>0.7</u>	14.3%
Total	310.3	305.1	1.7%
Less: Accumulated depreciation	<u>85.0</u>	<u>77.6</u>	9.5%
Net capital assets	<u>\$ 225.3</u>	<u>\$ 227.5</u>	-1.0%

### Long-Term Debt

As of June 30, 2016, the District had \$250,623,573 in general obligation and other long-term debt outstanding. More detailed information about the District's long-term debt is included in the notes to the financial statements. The 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 District is below its debt limit.

**Figure A-9**

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

<u>Category</u>	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
General obligation bonds (financed with property taxes)	\$ 125.8	\$ 137.4
Other long-term debt	<u>135.2</u>	<u>115.7</u>
Total	<u>\$ 261.0</u>	<u>\$ 253.1</u>

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

- The District is experiencing growing enrollment and as a consequence, is planning to renovate an existing school building into an interim middle school that can house 400-600 students beginning in September of 2017. The project is estimated to cost \$6.5 million. A community-based committee is currently studying the District's grade configurations and will also be making a recommendation for a third permanent middle school.
- 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.
- Charter Schools continue to drain the 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 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 District will improve.
- The District is currently in labor contract negotiations with its two largest bargaining units that include 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 District continues in its financial planning to anticipate these undetermined expenditures and has the ability to use reserves as necessary.
- The 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 DISTRICT'S FINANCE MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the 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, 2016**

---

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS:**

Cash - Unrestricted	\$ 29,643,571
Cash - Restricted	23,191,420
Taxes receivable	6,023,306
State and federal aid receivable	10,862,063
Due from other governments, net	2,066,422
Other receivables, net	459,992
Inventory	40,399
Prepaid expenses	<u>132,059</u>
Total current assets	72,419,232

**NON-CURRENT ASSETS:**

Net pension asset	50,312,895
Capital assets, net	<u>225,302,245</u>
Total non-current assets	<u>275,615,140</u>
Total assets	<u>348,034,372</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources - TRS Pension	11,420,732
Deferred outflows of resources - ERS Pension	9,645,891
Deferred loss on bond refunding	<u>9,322,462</u>
Total deferred outflows of resources	<u>30,389,085</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**CURRENT LIABILITIES:**

Accounts payable	5,680,374
Retainage payable	44,926
Accrued liabilities	2,815,880
Accrued interest	372,554
Due to other governments	12,263
Unearned revenue	11,213
Overpayments and collections in advance	132,192
Due to teachers' retirement system	11,268,342
Due to employees' retirement system	624,212
Current portion of compensated absences payable	296,709
Current portion of workers compensation payable	785,810
Bonds payable due within one year	<u>9,382,002</u>
Total current liabilities	<u>31,426,477</u>

**LONG-TERM LIABILITIES, net of current position**

Bonds payable, less current portion	116,455,347
Bonds premium, net	14,175,402
Compensated absences	10,374,157
Accrued workers' compensation	737,058
Net pension liability	10,375,041
Other postemployment benefits obligation	<u>112,889,210</u>
Total long-term liabilities	<u>265,006,215</u>
Total liabilities	<u>296,432,692</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - ERS Pension	1,386,028
Deferred inflows of resources - TRS Pension	<u>17,318,967</u>
Total deferred inflows of resources	<u>18,704,995</u>

**NET POSITION**

Net investment in capital assets	101,335,598
Restricted	24,987,012
Unrestricted	<u>(63,036,840)</u>

**TOTAL NET POSITION** \$ 63,285,770

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Grants</u>	
<b>FUNCTIONS/PROGRAMS:</b>				
General support	\$ 26,541,670	17,449	-	\$ (26,524,221)
Instruction	189,320,155	2,190,915	17,987,136	(169,142,104)
Pupil transportation	7,630,584	-	-	(7,630,584)
Community services	69,329	-	-	(69,329)
Debt service - Interest	5,593,452	-	-	(5,593,452)
School lunch program	4,278,974	47,305	5,305,690	1,074,021
	<u>\$ 233,434,164</u>	<u>\$ 2,255,669</u>	<u>\$ 23,292,826</u>	<u>(207,885,669)</u>
<b>TOTAL FUNCTIONS AND PROGRAMS</b>				
<b>GENERAL REVENUE:</b>				
Real property taxes				102,945,803
Other tax items				16,859,517
Nonproperty taxes				3,808,949
Use of money and property				121,366
Sale of property and compensation for loss				39,986
Medicaid reimbursement				677,668
State sources				88,147,251
Miscellaneous				<u>2,558,906</u>
				<u>215,159,446</u>
<b>TOTAL GENERAL REVENUE</b>				<u>215,159,446</u>
<b>CHANGE IN NET POSITION</b>				7,273,777
<b>TOTAL NET POSITION - beginning of year</b>				<u>56,011,993</u>
<b>TOTAL NET POSITION - end of year</b>				<u>\$ 63,285,770</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, 2016

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>ASSETS</b>						
Cash - Unrestricted	\$ 24,185,152	\$ -	\$ 1,792,171	\$ 1,870,690	\$ -	\$ 27,848,013
Cash - Restricted	23,191,420	-	-	-	1,795,558	24,986,978
Taxes receivable	6,023,306	-	-	-	-	6,023,306
State and federal aid receivable	5,817,864	4,615,699	428,500	-	-	10,862,063
Due from other governments, net	2,066,422	-	-	-	-	2,066,422
Due from other funds	4,039,133	-	-	-	34	4,039,167
Other receivables, net	354,988	105,004	-	-	-	459,992
Inventory	-	-	40,399	-	-	40,399
Prepaid expenditures	132,059	-	-	-	-	132,059
<b>TOTAL ASSETS</b>	<b>\$ 65,810,344</b>	<b>\$ 4,720,703</b>	<b>\$ 2,261,070</b>	<b>\$ 1,870,690</b>	<b>\$ 1,795,592</b>	<b>\$ 76,458,399</b>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 3,719,917	\$ 588,258	\$ 200,980	\$ 1,216,144	\$ -	\$ 5,725,299
Accrued liabilities	2,748,409	64,571	2,902	-	-	2,815,882
Due to other governments	12,263	-	-	-	-	12,263
Due to other funds	-	3,943,158	95,974	34	-	4,039,166
Due to teachers' retirement system	11,268,342	-	-	-	-	11,268,342
Due to employees' retirement system	624,212	-	-	-	-	624,212
Compensated absences	296,709	-	-	-	-	296,709
Overpayments	132,192	-	-	-	-	132,192
Unearned revenue	-	11,213	-	-	-	11,213
<b>TOTAL LIABILITIES</b>	<b>18,802,044</b>	<b>4,607,200</b>	<b>299,856</b>	<b>1,216,178</b>	<b>-</b>	<b>24,925,278</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes and state aid	7,226,319	-	-	-	-	7,226,319

(Continued)

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

(Continued)  
**JUNE 30, 2016**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>FUND BALANCE:</b>						
Non-spendable:						
Inventory	-	-	40,399	-	-	40,399
Prepaid expenditures	132,059	-	-	-	-	132,059
Total non-spendable fund balance	132,059	-	40,399	-	-	172,458
Restricted:						
Workers' compensation	170,000	-	-	-	-	170,000
Unemployment insurance	41,567	-	-	-	-	41,567
Health insurance claims	753,618	-	-	-	-	753,618
Capital	9,449,000	-	-	-	-	9,449,000
Tax certiorari	2,787,235	-	-	-	-	2,787,235
Employee benefits	9,990,000	-	-	-	-	9,990,000
Debt service	-	-	-	-	1,795,592	1,795,592
Total restricted fund balance	23,191,420	-	-	-	1,795,592	24,987,012
Assigned:						
Unappropriated	912,133	113,503	1,920,815	654,512	-	3,600,963
Appropriated for subsequent year's expenditures	5,700,000	-	-	-	-	5,700,000
Total assigned fund balance	6,612,133	113,503	1,920,815	654,512	-	9,300,963
Unassigned	9,846,369	-	-	-	-	9,846,369
<b>TOTAL FUND BALANCE</b>	<b>39,781,981</b>	<b>113,503</b>	<b>1,961,214</b>	<b>654,512</b>	<b>1,795,592</b>	<b>44,306,802</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 65,810,344</b>	<b>\$ 4,720,703</b>	<b>\$ 2,261,070</b>	<b>\$ 1,870,690</b>	<b>\$ 1,795,592</b>	<b>\$ 76,458,399</b>

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2016**

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

Total governmental fund balance per above	\$ 44,306,802
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	225,302,245
Deferred loss on bond refundings at June 30, 2016, in government-wide statements using the full accrual method of accounting, not recognized on the fund financial statements, which use the modified accrual method	9,322,462
GASB 68 related government wide activity:	
Net pension asset	50,312,895
Deferred outflows of resources	21,066,623
Net pension liability	(10,375,041)
Deferred inflows of resources	(18,704,995)
Long-term bonds payable are not due in the current period and, therefore, are not reported in the funds	(125,837,349)
Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	(14,175,402)
Compensated absences due in more than one year are recognized as a liability under full accrual accounting	(10,374,157)
Other postemployment benefits are recognized as a liability under full accrual accounting	(112,889,210)
Long-term liabilities, including accrued workers' compensation are not due and payable in the current period and, therefore, are not reported in the funds	(1,522,868)
Unearned revenue not received in the current year is recognized as revenue under full accrual accounting	7,226,319
Interest payable at June 30, 2016, in the government-wide statements is recorded as an expense under full accrual accounting	<u>(372,554)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 63,285,770</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, 2016**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>REVENUE:</b>						
Real property taxes	\$ 103,537,046	-	\$ -	-	-	\$ 103,537,046
Other tax items	16,859,517	-	-	-	-	16,859,517
Nonproperty taxes	3,808,949	-	-	-	-	3,808,949
Charges for services	1,810,748	-	-	-	-	1,810,748
Use of money and property	120,337	-	-	-	1,029	121,366
Sale of property and compensation for loss	39,986	-	-	-	-	39,986
Miscellaneous	2,554,791	397,616	4,115	-	-	2,956,522
State sources	88,147,251	6,985,538	125,057	-	-	95,257,846
Federal sources	-	11,001,598	4,824,192	-	-	15,825,790
Medicaid reimbursement	677,668	-	-	-	-	677,668
Surplus food	-	-	356,441	-	-	356,441
Sales - School lunch	-	-	47,305	-	-	47,305
<b>Total revenue</b>	<b>217,556,293</b>	<b>18,384,752</b>	<b>5,357,110</b>	<b>-</b>	<b>1,029</b>	<b>241,299,184</b>
<b>EXPENDITURES:</b>						
General support	15,688,750	-	-	-	-	15,688,750
Instruction	132,795,644	16,160,861	-	-	-	148,956,505
Pupil transportation	7,448,160	198,492	-	-	-	7,646,652
Community services	-	69,329	-	-	-	69,329
Employee benefits	43,321,622	2,289,818	693,613	-	-	46,305,053
Debt service - Principal	354,553	-	-	-	8,755,000	9,109,553
Debt service - Interest	11,823	-	-	-	6,407,425	6,419,248
Cost of sales	-	-	3,837,842	-	-	3,837,842
Capital outlay	-	-	-	5,169,199	-	5,169,199
<b>Total expenditures</b>	<b>199,620,552</b>	<b>18,718,500</b>	<b>4,531,455</b>	<b>5,169,199</b>	<b>15,162,425</b>	<b>243,202,131</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>17,935,741</b>	<b>(333,748)</b>	<b>825,655</b>	<b>(5,169,199)</b>	<b>(15,161,396)</b>	<b>(1,902,947)</b>
<b>OTHER SOURCES AND (USES):</b>						
Proceeds from issuance of refunding debt	-	-	-	-	55,450,000	55,450,000
Deposit with escrow agent	-	-	-	-	(65,664,871)	(65,664,871)
Premium on bond issuance	-	-	-	-	10,823,528	10,823,528
Operating transfers in	356,579	590,281	-	-	14,200,000	15,146,860
Operating transfers (out)	(14,790,281)	(356,580)	-	-	-	(15,146,861)
<b>Total other sources (uses)</b>	<b>(14,433,702)</b>	<b>233,701</b>	<b>-</b>	<b>-</b>	<b>14,808,657</b>	<b>608,656</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,502,039</b>	<b>(100,047)</b>	<b>825,655</b>	<b>(5,169,199)</b>	<b>(352,739)</b>	<b>(1,294,291)</b>
<b>FUND BALANCE - beginning of year</b>	<b>36,279,942</b>	<b>213,550</b>	<b>1,135,559</b>	<b>5,823,711</b>	<b>2,148,331</b>	<b>45,601,093</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 39,781,981</b>	<b>\$ 113,503</b>	<b>\$ 1,961,214</b>	<b>\$ 654,512</b>	<b>\$ 1,795,592</b>	<b>\$ 44,306,802</b>

The accompanying notes are an integral part of these statements.

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

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balance - Total governmental funds	\$ (1,294,291)
Capital outlays, net of disposals are expenditures in governmental funds, but are capitalized in the statement of net position	5,360,253
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(7,593,704)
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	13,387,944
Proceeds of long-term debt recorded as revenues in the governmental funds but are recorded as increases of liabilities in the statements of net assets	(55,450,000)
Net repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	74,774,424
Bond premiums are recorded as revenues in the governmental funds, but not the statement of activities	(10,823,528)
Bond premiums amortization is not recorded as revenue in the governmental funds, but is recorded in the statement of activities	861,119
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(10,732,413)
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	(591,243)
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>(624,784)</u>
Change in net position - Governmental activities	<u>\$ 7,273,777</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>	<i>Agency</i>
<b>ASSETS:</b>		
Cash	\$ 384,002	\$ 135,078
Restricted cash	-	177,769
Investment in securities	1,523,747	-
Due from other funds	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 1,907,749</u>	<u>\$ 312,847</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	-	177,769
Due to other funds	-	-
Other liabilities	-	135,078
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>\$ 312,847</u>
<b>NET POSITION:</b>		
Reserved for scholarships	<u>\$ 1,907,749</u>	

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

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Private Purpose Trusts</i>
<b>ADDITIONS:</b>	
Gifts and contributions	\$ 2,440
Loss on sale of securities	(3,031)
Investment earnings	23,167
	<hr/>
Total additions	<u>22,576</u>
<b>DEDUCTIONS:</b>	
Scholarships and awards	<u>65,498</u>
Change in net position	(42,922)
NET POSITION - beginning of year	<u>1,950,671</u>
NET POSITION - end of year	<u>\$ 1,907,749</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, 2016

---

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

#### **Nature of Operations**

The City School District of the City of Albany, New York (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 (District) 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 District are described below:

#### **Reporting Entity**

The 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 District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by 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 District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the District's reporting entity:

#### Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The 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 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 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 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 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 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 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 District are as follows:

### Governmental Fund Types

Governmental funds are those in which most governmental functions of the District are reported. The acquisition, use, and balances of the 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 District's governmental fund types:

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

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

There are two 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 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 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 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 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 District's cash consists of cash on hand and demand deposits.

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

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

### Investments

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 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 District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid 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 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 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 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 District.

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

### Other Postemployment Benefits (Continued)

The District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level, the District recognized the current cost of providing benefits for June 30, 2016 by recording \$9,439,703, which is its share of insurance premiums for 901 currently enrolled retirees, as expenditures for the current year.

The District has recorded in the government-wide statement of net position other postemployment benefits totaling \$112,889,210 as of June 30, 2016.

### **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 District is located enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the County to the 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 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 District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

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

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

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 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 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	9,449,000
Tax certiorari	2,787,235
Employee benefits	9,990,000
Debt service	<u>1,795,592</u>
Total restricted net position	<u>\$ 24,987,012</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 District.

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

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

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



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

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

The 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 District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

Reserve for Debt Service

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

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

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

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 District’s highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2016.

Assigned fund balance – Includes amounts that are constrained by the 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 \$912,133. As of June 30, 2016, the District’s encumbrances were classified as follows:

Instruction	\$ 878,612
General support	33,521
Total encumbrances	<u>\$ 912,133</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 District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the 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 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 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 District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

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

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

**Stewardship and Compliance (Continued)**

Budgets (Continued)

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 58,456,722	\$ 53,531,840
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 57,706,722	
Covered by FDIC insurance	<u>750,000</u>	
Total	<u>\$ 58,456,722</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	9,449,000
Cash on deposit for tax certiorari	2,787,235
Cash on deposit for employee benefits	9,990,000
Cash on deposit for debt service	<u>1,795,558</u>
Total general fund	<u>\$ 24,986,978</u>

Trust and agency fund:

Cash on deposit for extraclassroom activity funds	<u>\$ 177,769</u>
---	-------------------

## 3. INVESTMENTS FOR SCHOLARSHIP FUND

In 1981, the 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 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 2015-2016 school year scholarship awards amounted to \$65,498. At June 30, 2016, principal and income portions were as follows:

Principal	\$ 1,550,831
Loss	<u>(27,084)</u>
Total	<u>\$ 1,523,747</u>

At June 30, 2016 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 District's name.

#### 4. CAPITAL ASSETS, NET

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	July 1, 2015 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2016 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 5,020,491	\$ -	\$ -	\$ 5,020,491
Construction in progress	<u>2,205,795</u>	<u>5,169,199</u>	<u>1,740,805</u>	<u>5,634,189</u>
Total non-depreciable historical cost	<u>7,226,286</u>	<u>5,169,199</u>	<u>1,740,805</u>	<u>10,654,680</u>
Capital assets that are depreciated:				
Buildings	291,996,738	1,740,805	-	293,737,543
Land improvements	2,734,424	-	58,528	2,675,896
Furniture and equipment	2,404,524	128,916	136,146	2,397,294
Vehicles	<u>744,239</u>	<u>79,082</u>	-	<u>823,321</u>
Total depreciable historical cost	<u>297,879,925</u>	<u>1,948,803</u>	<u>194,674</u>	<u>299,634,054</u>
Less accumulated depreciation:				
Buildings	73,225,040	7,339,183	-	80,564,223
Land improvements	2,337,987	32,752	58,528	2,312,211
Furniture and equipment	1,485,395	158,757	119,203	1,524,949
Vehicles	<u>522,093</u>	<u>63,013</u>	-	<u>585,106</u>
Total accumulated depreciation	<u>77,570,515</u>	<u>7,593,705</u>	<u>177,731</u>	<u>84,986,489</u>
Total capital assets, net	<u>\$227,535,696</u>	<u>\$ (475,703)</u>	<u>\$ 1,757,748</u>	<u>\$225,302,245</u>

Construction in progress relates to the construction costs of the government-wide reconstruction project as of June 30, 2016.

Depreciation expense for the year ended June 30, 2016, was allocated to specific functions as follows:

General support	\$ 15,321
Operation of plant	7,339,184
Instruction	172,357
Transportation	63,013
Cost of sales	<u>3,830</u>
Total	<u>\$ 7,593,705</u>

## 5. LONG-TERM LIABILITIES

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

Interest paid	\$ 6,419,248
Less interest accrued in prior year	(337,231)
Less amortization expense on bond premium	(861,119)
Plus interest accrued in current year	<u>372,554</u>
Total expense	<u>\$ 5,593,452</u>

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>	Long-term <u>Portion</u>
Bonds and notes payable:						
Capital projects - 2007A	\$ 715,000	\$ -	\$ 715,000	\$ -	\$ -	\$ -
Capital projects - 2007B	370,000	-	370,000	-	-	-
Capital projects - 2008	14,200,000	-	13,255,000	945,000	460,000	485,000
Capital projects - 2009	56,865,000	-	47,855,000	9,010,000	2,855,000	6,155,000
Capital projects - 2010	25,130,000	-	2,660,000	22,470,000	2,785,000	19,685,000
Capital projects - 2011	16,305,000	-	1,485,000	14,820,000	1,560,000	13,260,000
Capital projects - 2012	2,690,000	-	175,000	2,515,000	180,000	2,335,000
Capital projects - 2014	18,840,000	-	40,000	18,800,000	1,175,000	17,625,000
Capital projects - 2016	-	11,945,000	20,000	11,925,000	5,000	11,920,000
Capital projects - 2016	-	43,505,000	125,000	43,380,000	10,000	43,370,000
NYPA projects	51,900	-	28,245	23,655	23,655	-
NYPA projects	434,491	-	140,064	294,427	140,835	153,592
NYPA projects	1,181,865	-	134,852	1,047,013	135,736	911,277
NYPA projects	<u>658,646</u>	<u>-</u>	<u>51,404</u>	<u>607,242</u>	<u>51,776</u>	<u>555,466</u>
Total bonds and notes payable	<u>\$137,441,902</u>	<u>\$ 55,450,000</u>	<u>\$ 67,054,565</u>	<u>\$125,837,337</u>	<u>\$ 9,382,002</u>	<u>\$116,455,335</u>
Other long-term liabilities:						
Accrued workers' compensation	1,442,191	80,677	-	1,522,868	785,810	737,058
Compensated absences	9,865,374	508,783 (A)	-	10,374,157	-	10,374,157
Net pension liability	2,193,353	8,181,688	-	10,375,041	-	10,375,041
Other postemployment benefits	<u>102,156,797</u>	<u>10,732,413</u>	<u>-</u>	<u>112,889,210</u>	<u>-</u>	<u>112,889,210</u>
Total other long-term debt	<u>115,657,715</u>	<u>19,503,561</u>	<u>-</u>	<u>135,161,276</u>	<u>785,810</u>	<u>134,375,466</u>
Total long-term liabilities	<u>\$253,099,617</u>	<u>\$ 74,953,561</u>	<u>\$ 67,054,565</u>	<u>\$260,998,613</u>	<u>\$ 10,167,812</u>	<u>\$250,830,801</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, 2016 <u>Balance</u>
Capital Projects - 2008	2008	2018	5.25%	\$ 945,000
Capital Projects - 2009	2009	2019	5.00%	9,010,000
Capital Projects - 2010	2010	2027	4.88%	22,470,000
Capital Projects - 2011	2011	2025	5.00%	14,820,000
Capital Projects - 2012	2012	2028	1.60%	2,515,000
Capital Projects - 2014	2014	2032	3.00%	18,800,000
Capital Projects - 2016	2016	2035	2.00%	11,925,000
Capital Projects - 2016	2016	2036	2.00%	43,380,000
NYPA Projects	2007	2017	1.92%	23,655
NYPA Projects	2003	2018	1.92%	294,427
NYPA Projects	2009	2024	1.92%	1,047,013
NYPA Projects	2012	2027	1.92%	607,242
Total				<u>\$125,837,337</u>

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	9,382,002	8,502,812	17,884,814
2018	9,555,028	8,069,628	17,624,656
2019	9,771,266	7,022,943	16,794,209
2020	10,160,405	4,300,669	14,461,074
2021	9,736,378	3,858,096	13,594,474
2022-2026	36,404,985	13,219,087	49,624,072
2027-2031	24,417,273	6,497,465	30,914,738
2032-2036	16,410,000	1,597,644	18,007,644
Totals	<u>\$125,837,337</u>	<u>\$ 53,068,344</u>	<u>\$178,905,681</u>

During 2016, the District issued \$55,450,000 par value of bonds to advance refund \$57,945,000 of certain maturities of the 2008 and 2009 capital projects bond issues. At the time of the transaction, the refunding resulted in an estimated \$7.63 million in future cash flow savings and an estimated net present value gain of \$6.02 million. The refunding transaction, while resulting in a lower estimated future debt service cost, resulted in a loss in the year incurred equivalent to the difference between the carrying amounts of the bonds refunded (\$57.95 million) and the amount deposited into the irrevocable escrow account (\$65.66 million). This accounting loss on refunding of \$7.72 million has been recorded as a deferred outflow of resources and will be amortized into future interest costs over 20 years in the Statement of Activities.

## 6. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 4,039,133	\$ -	\$ 356,579	\$ 14,790,281
Special aid fund	-	3,943,159	590,281	356,580
School lunch fund	-	95,974	-	-
Trust & Agency Fund	-	-	-	-
Private Purpose Fund	-	-	-	-
Debt service fund	34	-	14,200,000	-
Capital fund	-	34	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total governmental activities	<u>\$ 4,039,167</u>	<u>\$ 4,039,167</u>	<u>\$ 15,146,860</u>	<u>\$ 15,146,861</u>

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

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

## 7. PENSION PLANS

### New York State Employees' Retirement System

The 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 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:

2016	\$3,029,415
2015	\$3,341,275
2014	\$3,472,583

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 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, 2016, the District reported a liability of \$10,375,040 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the District's proportion was 0.0646409 percent, which was a decrease of 0.44% from its proportion measured June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$427,212. At June 30, 2016, the 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>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	52,428	1,229,788
Changes of Assumptions	2,766,710	-
Net difference between projected and actual earnings on pension plan investments	6,155,043	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	47,498	156,240
Contributions subsequent to the measurement date	<u>624,212</u>	<u>-</u>
	<u>9,645,891</u>	<u>1,386,028</u>

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:	
2016	\$ 1,941,440
2017	1,941,440
2018	1,941,440
2019	<u>1,941,440</u>
	<u>\$ 7,765,760</u>

## 7. PENSION PLANS (Continued)

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

#### **Actuarial Assumptions**

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014. 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 using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	38.0%	7.30%
International Equity	13.0%	8.55%
Private Equity	10.0%	11.00%
Real Estate	8.0%	8.25%
Absolute Return	3.0%	6.75%
Opportunistic Portfolio	3.0%	8.60%
Real Asset	3.0%	8.65%
Bonds, Cash & Mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation Indexed Bonds	2.0%	4.00%
	<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 District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the 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)	\$ 23,394,961	\$ 10,375,040	\$ (626,237)

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

The components of the current-year net pension liability of the employers as of March 31, 2015, 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	\$ 172,303,544	\$ 111,380	0.0646409%
Net position	(156,253,265)	(101,004)	0.0646409%
Net pension liability (asset)	<u>\$ 16,050,279</u>	<u>\$ 10,376</u>	0.0646409%
Fiduciary net position as a percentage of total pension liability	90.7%	90.7%	

### New York State Teacher Retirement System

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

2016	\$11,268,342
2015	\$13,318,695
2014	\$12,270,769

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

At June 30, 2016, the District reported an asset of \$50,312,895 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016 the District's proportion was 0.484392 percent, which was a decrease of 1% from its proportion measured June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$(2,138,599). At June 30, 2016 the 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	\$ -	\$ 1,394,385
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	15,904,168
Changes in proportion and differences between the District's contributions and proportionate share of contributions	152,390	20,414
Contributions subsequent to the measurement date	11,268,342	-
	<u>\$ 11,420,732</u>	<u>\$ 17,318,967</u>

\$12,755,224 reported as deferred outflows of resources related to pensions resulting from the 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, 2016. 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:

2016	\$ (6,400,249)
2017	(6,400,249)
2018	(6,400,249)
2019	2,659,458
2020	(159,281)
Thereafter	(466,007)
	<u>\$ (17,166,577)</u>

## 7. PENSION PLANS (Continued)

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

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. Total pension liability at the June 30, 2013 measurement date, was determined by an actuarial valuation as of June 30, 2012, with update procedures used to roll forward the total pension liability to June 30, 2013. These actuarial valuations used the following actuarial assumptions:

Inflation	3.00%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Age</u>	<u>Female</u>	<u>Male</u>
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Projected COLAs	1.625% compounded annually
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2013 and 2012 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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:

#### **Long Term Expected Rate of Return**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	37.0%	6.5%
International Equity	18.0%	7.7%
Real Estate	10.0%	4.6%
Alternative Investments	7.0%	9.9%
Domestic fixed Income Securities	17.0%	2.1%
Global Fixed Income Securities	2.0%	1.9%
Mortgages	8.0%	3.4%
Short - term fixed income	1.0%	1.2%
	<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 8.0 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 districts calculated using the discount rate of 8.0 percent, as well as what the districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

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

	1 % Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Proportionate Share of Net Pension liability (asset)	\$ 3,431,988	\$ (50,312,895)	\$ (96,145,994)

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

The components of the current-year net pension (asset) of the employers as June 30, 2014, 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	\$ 99,332,103,743	\$ 481,156,784	0.4843920%
Net position	(109,718,916,659)	(531,469,655)	0.4843920%
Net pension liability (asset)	<u>\$ (10,386,812,916)</u>	<u>\$ (50,312,871)</u>	0.4843920%
Fiduciary net position as a percentage of total pension liability	110.5%	110.5%	

## 8. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION

The 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 District's contractual agreements. The 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 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, 2016, the District recognized \$9,689,500 for the claims paid for currently enrolled retirees for the self-insurance health plan. The claims were paid for 916 currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2012 which indicates that the total liability for other postemployment benefits as June 30, 2016 is \$112,889,210.

Funding Policy: The contribution requirements of Plan members and the 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 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 District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 19,140,314
Interest on net OPEB obligation	5,107,840
Adjustment to annual required contribution	<u>(3,826,241)</u>
Annual OPEB cost (expense)	20,421,913
Contributions made	<u>9,689,500</u>
Increase in net OPEB obligation	10,732,413
NET OPEB obligation - beginning of year	<u>102,156,797</u>
NET OPEB obligation - end of year	<u><u>\$112,889,210</u></u>

## 8. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

*Trend information* – The 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>
6/30/2016	\$ 20,421,913	\$ 9,689,500	47%	\$112,889,210
6/30/2015	\$ 19,676,277	\$ 10,236,574	52%	\$102,156,797
6/30/2014	\$ 18,657,943	\$ 8,994,843	48%	\$ 92,717,094

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, 2016, was 25 years.

## 9. RISK MANAGEMENT

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

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

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

### **Workers’ Compensation Plan**

The District is self-insured for workers’ compensation benefits on a cost-reimbursement basis. Under the program, the 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, 2016, there was \$170,000 in this reserve.

## 9. RISK MANAGEMENT (Continued)

### Health Insurance Plan

All of the 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, 2016, have been recorded as accrued liabilities in the general fund and as long-term debt.

The 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 District has stop loss insurance limiting its liability to \$150,000 per insured.

The 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 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 District during 2016:

	<u>Health</u>	<u>Workers' Compensation</u>	<u>Unemployment</u>
Unpaid claims and claim adjustment - beginning of year	\$ 1,787,504	\$ 1,442,191	\$ -
Incurred claims and claim adjustment expenses:			
Provision for incurred claims expenses for events of the current year	<u>24,171,017</u>	<u>6,061,028</u>	<u>43,271</u>
Total incurred claims and claims adjustment expenses	25,958,521	7,503,219	43,271
Payments made for claims arising during the current year	<u>23,784,253</u>	<u>5,722,351</u>	<u>43,271</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 2,174,268</u>	<u>\$ 1,780,868</u>	<u>\$ -</u>

## 10. CONTINGENCIES AND COMMITMENTS

The 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 District's administration believes disallowances, if any, will be immaterial.

The 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 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 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 District's administration believes disallowances, if any, will be immaterial.

## 11. 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*. Statement No. 75 replaces the requirements of [Statements No. 45](#), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and [No. 57](#), *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. [Statement No. 74](#), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In August 2015, the GASB issued Statement *No. 77 Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

The 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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUE</b>					
Local Sources:					
Real property taxes	\$ 103,659,129	\$ 103,659,129	\$ 103,537,046	\$ -	(122,083)
Other tax items	17,686,273	17,686,273	16,859,517	-	(826,756)
Nonproperty taxes	4,300,000	4,300,000	3,808,949	-	(491,051)
Charges for services	1,843,000	1,843,000	1,810,748	-	(32,252)
Use of money and property	57,200	57,200	120,337	-	63,137
Sale of property and compensation for loss	3,500	3,500	39,986	-	36,486
Miscellaneous	1,596,000	1,596,000	2,554,791	-	958,791
Total local sources	129,145,102	129,145,102	128,731,374	-	(413,728)
State sources	90,381,680	90,381,680	88,147,251	-	(2,234,429)
Medicaid reimbursement	500,000	500,000	677,668	-	177,668
Total revenue	220,026,782	220,026,782	217,556,293	-	(2,470,489)
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds	150,000	150,000	356,579	-	206,579
Total revenue and other financing sources	220,176,782	220,176,782	217,912,872	-	(2,263,910)

(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, 2016**

	<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	\$ 139,400	\$ 195,424	\$ 188,562	\$ 2,789	\$ 4,073
Central administration	384,889	510,589	499,820	-	10,769
Finance	917,440	878,698	831,096	-	47,602
Staff	1,123,945	1,255,948	1,189,179	7,221	59,078
Central services	11,053,534	11,874,491	11,242,184	23,511	608,796
Special items	1,119,800	1,809,800	1,737,909	-	71,891
Total general support	14,739,008	16,524,480	15,688,750	33,521	802,209
Instruction					
Instruction, administration & improvement	7,060,408	7,813,274	7,488,887	30,512	293,875
Teaching - regular school	86,639,183	86,078,710	80,730,658	578,992	4,769,060
Programs for students with disabilities	28,888,833	28,324,595	26,848,884	1,516	1,474,195
Occupational education	907,123	916,995	875,823	362	40,810
Teaching - special schools	794,261	1,026,951	982,297	823	43,831
Instructional media	2,990,295	3,424,229	3,249,459	73,514	101,256
Pupil services	12,422,577	13,117,472	12,619,636	192,893	304,943
Total instruction	139,702,680	140,702,226	132,795,644	878,612	7,027,970
Pupil transportation	7,921,347	7,900,101	7,448,160	-	451,941
Employee benefits	46,387,779	45,338,782	43,321,622	-	2,017,160
Debt service - Principal	354,930	354,553	354,553	-	-
Debt service - Interest	11,038	11,824	11,823	-	1
Total expenditures	209,116,782	210,831,966	199,620,552	912,133	10,299,281
<b>OTHER FINANCING USES</b>					
Transfers to other funds	14,855,000	14,855,000	14,790,281	-	64,719
Total expenditures and other uses	223,971,782	225,686,966	214,410,833	912,133	10,364,000
NET CHANGE IN FUND BALANCE	(3,795,000)	(5,510,184)	3,502,039	(912,133)	8,100,090
FUND BALANCE - beginning of year	36,279,942	36,279,942	36,279,942	-	-
FUND BALANCE - end of year	\$ 32,484,942	\$ 30,769,758	\$ 39,781,981	\$ (912,133)	\$ 8,100,090



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

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

<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>
7/1/2015	\$ -	\$ 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%
7/1/2012	\$ -	\$ 248,886,554	\$ 248,886,554	0%	\$ 91,363,606	272.4%

**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)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset) (thousands)	0.0646409%	0.0649258%								
Proportionate share of the net pension liability (asset)	\$ 10,375.0	\$ 2,193.4								
Covered-employee payroll	\$ 16,769.1	\$ 16,903.0								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61.87%	12.98%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.68%	90.68%								

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)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset) (thousands)	0.484392%	0.489271%								
Proportionate share of the net pension liability (asset)	\$ (50,312.9)	\$ (54,501.7)								
Covered-employee payroll	\$ 72,762.3	\$ 72,762.3								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-69.15%	-74.90%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	110.46%								

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, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
(thousands)										
Contractually required contribution	\$ 2,622.7	\$ 3,255.9								
Contributions in relation to the contractually required contribution	2,622.7	3,255.9								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 16,769.1	\$ 16,903.0								
Contributions as a percentage of covered-employee payroll	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)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
(thousands)										
Contractually required contribution	\$ 12,755.2	\$ 11,744.4								
Contributions in relation to the contractually required contribution	12,755.2	11,744.4								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 72,762.3	\$ 72,762.3								
Contributions as a percentage of covered-employee payroll	17.53%	16.14%								

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, 2016**

---

**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 223,971,782
Add: Prior year's encumbrances	<u>1,215,184</u>
Original budget	225,186,966
Budget revisions	<u>500,000</u>
Final budget	<u><u>\$ 225,686,966</u></u>

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

2016-17 voter-approved expenditure budget	\$ 234,053,915
Maximum allowed (4% of 2016-17 subsequent year's budget):	9,362,157
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :	
Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	6,612,133
Unassigned fund balance	<u>9,846,369</u>
Total unrestricted fund balance	<u>\$ 16,458,502</u>
Less:	
Appropriated fund balance	\$ 5,700,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>912,133</u>
Total adjustments	<u>\$ 6,612,133</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 9,846,369</u>
Actual percentage	4.21%

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.

See the accompanying independent auditor's report

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY  
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance 30-Jun-16	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Capital Projects - \$240M Summary	\$ 184,603,000	\$ 204,240,000	\$ 203,401,488	-	\$ 203,401,488 *	\$ 838,512	\$ 198,298,340	\$ 5,669,666	255	\$ 203,968,261	\$ 566,773
Livingston Magnet School	19,422,000	-	-	-	-	-	-	-	-	-	-
Sunshine School	1,215,000	-	(264)	-	(264)	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	7,313,650	129,626	7,443,276	348,874	5,676,000	-	2,109,465	7,785,465	342,189
Abrookin - Excel Project	-	3,809,933	3,734,646	-	3,734,646	75,287	2,983,177	826,756	-	3,809,933	75,287
Giffen - Excel Project	-	960,000	885,383	-	885,383	74,617	190,067	208,800	-	398,867	(486,516)
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	-	-	285,000	285,000	(14,803)
Hackett Parking Lot & Generator	-	370,000	35,095	584,599	619,694	(249,694)	-	-	-	-	(619,694)
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	-	123,407	2,193,891	2,317,298	99,702	-	-	774,364	774,364	(1,542,934)
Albany High Press Box - Turf Field	67,000	-	31,235	(662)	30,573	36,427	-	-	67,000	67,000	36,427
District Wide Reconstruction - \$13.9 Million	13,944,000	-	-	2,261,745	2,261,745	11,682,255	-	-	4,951,000	4,951,000	2,689,255
N Lark Street Purchase	-	-	2,192,449	-	2,192,449	(2,192,449)	-	-	2,192,449	2,192,449	-
ASH NYPA Energy Project	-	-	787,610	-	787,610	(787,610)	787,610	-	-	787,610	-
	\$ 201,688,000	\$ 218,182,083	\$ 220,892,431	\$ 5,169,199	\$ 226,061,630	\$ 8,548,453	\$ 207,935,194	\$ 6,705,222	\$ 12,075,726	\$ 226,716,142	\$ 654,512

\* Total expenditures of \$205 million include lease expenditures of \$1,716,492 related to projects that were originally in the General Fund and later capitalized as part of the project.

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

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2016**

---

Capital assets, net		\$ 225,302,245
Deduct:		
Short-term portion of bonds payable	9,382,002	
Long-term portion of bonds payable	116,455,335	
Less: Unspent proceeds	<u>(1,870,690)</u>	<u>123,966,647</u>
Net investment in capital assets		<u>\$ 101,335,598</u>

**REQUIRED REPORTS UNDER UNIFORM GUIDANCE**



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

September 29, 2016

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, and each major fund and the aggregate remaining fund information of City School District of the City of Albany (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2016.

**Internal Control Over Financial Reporting**

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

September 29, 2016

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 City School District of the City of Albany's (the 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, 2016. The 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 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 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 District's compliance.

(Continued)

**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 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, 2016.

**Report on Internal Control Over Compliance**

Management of the 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 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 District's internal control over compliance.

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

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

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

*Bonadio & Co., LLP*

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grant Number	Expenditures	Amounts Provided to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed through New York State Dept. of Education/ <i>Child Nutrition Cluster:</i>				
National school lunch program (Noncash food donations)	10.555	N/A	\$ 356,441	\$ -
School breakfast program	10.553	N/A	1,101,083	-
National school lunch program	10.555	N/A	3,608,596	-
Summer food service program for children	10.559	N/A	<u>110,662</u>	<u>-</u>
<i>Total Child Nutrition Cluster</i>			<u>5,176,782</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>5,176,782</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	0021-16-0005	3,369,804	-
Title I Grants to Local Educational Agencies	84.010	0021-15-0005	246,230	-
Title I Grants to Local Educational Agencies	84.010	0011-15-2012	317,040	-
Title I Grants to Local Educational Agencies	84.010	0011-16-2012	<u>296,195</u>	<u>-</u>
			<u>4,229,269</u>	<u>-</u>
<i>School Improvement Grants:</i>				
School Improvement Grants	84.377	0123-16-5110	863,903	-
School Improvement Grants	84.377	0123-16-2110	187,907	-
School Improvement Grants	84.377	0123-15-5110	149,779	-
School Improvement Grants	84.377	0123-15-2111	<u>230,554</u>	<u>-</u>
<i>Total School Improvement Grants</i>			<u>1,432,143</u>	<u>-</u>
<i>Special Education Cluster (IDEA):</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	0032-16-0001	2,955,352	677,207
Special Education - Preschool Grants (IDEA, Preschool)	84.173	0033-16-0001	<u>159,973</u>	<u>89,928</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>3,115,325</u>	<u>767,135</u>
VATEA, General	84.048	8000-16-0084	92,124	-
Education for Homeless children and Youth	84.196	0212-16-4006	54,499	-
Twenty-First Century Community Learning Center	84.287	0187-16-6083	833,994	-
Immigrant Education - Title IIIA	84.365	0149-16-0005	3,386	-
English Language Acquisition Grants - Title IIIA	84.365	0149-15-0005	56,630	-
English Language Acquisition Grants - Title IIIA	84.365	0293-16-0005	94,180	-
Title II Part B - Math -Science	84.365	0293-15-0005	27,049	-
Title II Part B - Math -Science	84.366	0294-16-0212	153,062	-
Title II Part A - Teaching	84.367	0147-15-0005	24,083	-
Title II Part A - Teaching	84.367	0147-16-0005	<u>743,215</u>	<u>-</u>
Total New York State Education Department			<u>10,858,959</u>	<u>767,135</u>
Passed through Cornell University:				
Promoting Readiness of Minors in Supplemental Security Income	84.418	#25785	<u>92,676</u>	<u>-</u>
Total U.S. Department of Education			<u>10,951,635</u>	<u>767,135</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		<u>50,442</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>50,442</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 16,178,859</u>	<u>\$ 767,135</u>

# CITY SCHOOL DISTRICT OF THE CITY OF ALBANY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2016

---

### 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, 2016. 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 District, it is not intended to and does not present the government activities, each major fund and aggregate remaining for the District.

### 2. BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting, as described in the 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 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 District's share of certain program costs, are not included in the reported expenditures.

### 6. NONCASH ASSISTANCE

The District received noncash assistance is reported totaling \$356,441 in the form of food commodities for the year ended June 30, 2016.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

---

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, 2016**

---

**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

84.010                      Title I Grants to Local Educational Agencies

84.027/84.173            Special Education Cluster (IDEA)

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, 2016**

---

#### **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.