

GLENS FALLS CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended June 30, 2016

GLENS FALLS CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Glens Falls City School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Glens Falls City School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Glens Falls City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Glens Falls City School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress of other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M10 and 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Glens Falls City School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016 on our consideration of the Glens Falls City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Glens Falls City School District's internal control over financial reporting and compliance.

Handwritten signature of Raymond S. Heussen in cursive script, followed by the word "clerk" in a similar style.

Claverack, New York
September 15, 2016

GLENS FALLS CITY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2016

INTRODUCTION

The Glens Falls City School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position on the districtwide financial statements increased from \$7,150,644 to \$9,968,376 from last year.
- As of the close of this fiscal year, the District's governmental funds reported combined fund balances of \$9,268,963, an increase of \$7,325,395 in comparison with the prior year primarily since the District obtained permanent financing for the ongoing \$10,000,000 reconstruction capital project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Districtwide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to these statements, this report also includes required supplemental information and other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion & Analysis (MD&A)

Basic Financial Statements



Notes to the Basic Financial Statements

Required Supplemental Information (Part B)

General Fund Budget to Actual Schedule

Funding Progress of OPEB

Other Supplemental Information

General Fund Budget & Fund Balance Information

Capital Project Funds Schedule of Project Expenditures

DISTRICTWIDE FINANCIAL STATEMENTS

The districtwide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the districtwide financial statements as *governmental activities*, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

DISTRICTWIDE FINANCIAL ANALYSIS

Glens Falls City School District's Net Position June 30, 2016 and 2015

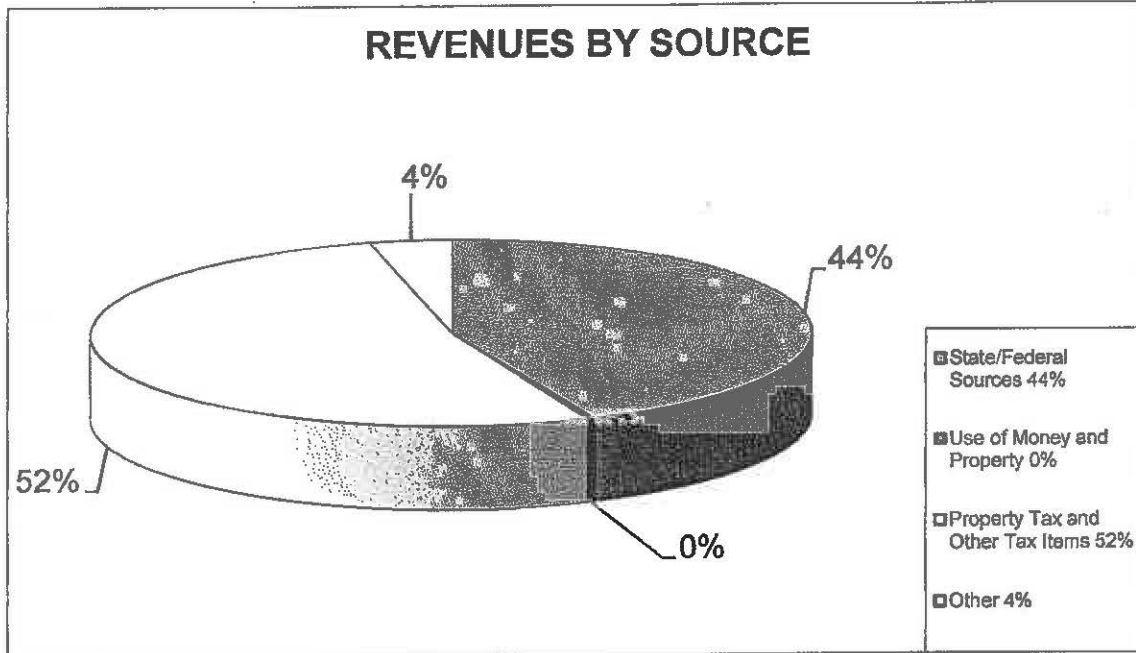
	Governmental Activities		Variance Increase (Decrease)
	2016	2015	
Current Assets	\$ 12,499,141	\$ 13,563,111	\$ (1,063,970)
Capital Assets	31,351,649	29,317,921	2,033,728
Net Pension Asset	9,401,630	11,068,473	(1,666,843)
Total Assets	53,252,420	53,949,505	(697,085)
Deferred Outflows of Resources	4,222,651	2,671,257	1,551,394
Total Assets and Outflows of Resources	57,475,071	56,620,762	854,309
Current Liabilities	4,822,405	12,649,118	(7,826,713)
Noncurrent Liabilities	36,155,023	28,757,759	7,397,264
Net Pension Liability	2,062,832	467,702	1,595,130
Total Liabilities	43,040,260	41,874,579	1,165,681
Deferred Inflows of Resources	4,466,435	7,595,539	(3,129,104)
Total Liabilities and Inflows of Resources	47,506,695	49,470,118	(1,963,423)
Net Position:			
Investment in capital assets, net of related debt	11,799,511	6,885,017	4,914,494
Restricted	4,608,084	7,672,701	(3,064,617)
Unrestricted (deficit)	(6,439,219)	(7,407,074)	967,855
Total Net Position	\$ 9,968,376	\$ 7,150,644	\$ 2,817,732

**Glens Falls City School District's
Changes in Net Position
For the Years Ended June 30, 2016 and 2015**

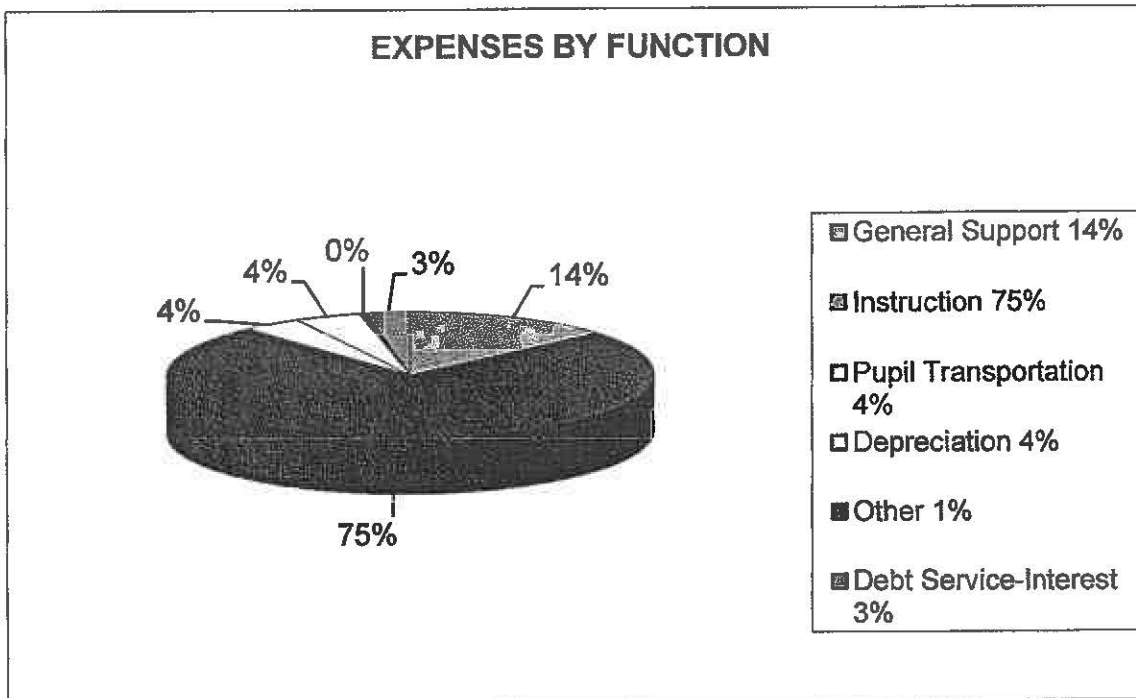
	Governmental Activities		Variance Increase (Decrease)
	2016	2015	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 2,168,818	\$ 2,050,270	\$ 118,548
Operating Grants and Contributions	2,211,170	2,023,891	187,279
Total Program Revenues	<u>\$ 4,379,988</u>	<u>\$ 4,074,161</u>	<u>\$ 305,827</u>
General Revenues:			
Real Property Taxes	\$ 17,650,439	\$ 17,411,316	\$ 239,123
Other Tax Items	2,682,791	2,528,594	154,197
Use of Money and Property	153,145	183,508	(30,363)
Sale of Property and Compensation for Loss	10,230	-	10,230
Miscellaneous	569,927	562,488	7,439
State Sources	16,846,065	14,975,383	1,870,682
Federal Sources	73,363	83,127	(9,764)
Premium on Obligations	859,126	29,891	829,235
Total General Revenues	<u>38,845,086</u>	<u>35,774,307</u>	<u>3,070,779</u>
<u>Expenses (Net of Program Revenues):</u>			
Instruction	26,880,612	25,700,896	1,179,716
Support Services:			
General Support	4,973,357	4,708,230	265,127
Pupil Transportation	1,413,895	1,365,146	48,749
Debt Service-Interest	1,007,793	609,673	398,120
Depreciation-Unallocated	1,569,020	1,752,342	(183,322)
Fiscal Agent Fees	234,357	-	234,357
School Lunch	(51,680)	56,171	(107,851)
Total Expenses	<u>36,027,354</u>	<u>34,192,458</u>	<u>1,834,896</u>
Change in Net Position	<u>\$ 2,817,732</u>	<u>\$ 1,581,849</u>	<u>\$ 1,235,883</u>

The following charts provide the percentage of breakdown of all revenues by source and all expenses by function for the entire District:

**Districtwide Revenues by Source
For the Year Ended June 30, 2016**



**Districtwide Expenses by Function
For the Year Ended June 30, 2016**



FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- **Governmental funds:** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to 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 districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **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 districtwide financial statements because it cannot use these assets to finance its operations.

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$9,268,963, which represents a \$7,325,575 increase over last year's total. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2016 and 2015.

	<u>Fund Balance</u> <u>2016</u>	<u>Fund Balance</u> <u>2015</u>	<u>Variance</u> <u>Increase</u> <u>(Decrease)</u>
General	\$ 9,101,894	\$ 6,144,063	\$ 2,957,831
School Lunch	80,092	28,200	51,892
Federal	362	-	362
Capital	22,189	(4,258,766)	4,280,955
Debt Service	64,426	29,891	34,535
Totals	<u>\$ 9,268,963</u>	<u>\$ 1,943,388</u>	<u>\$ 7,325,575</u>

General Fund

The tables that follow assist in illustrating the financial activities and balance of the general fund.

<u>Revenues:</u>	<u>2016</u>	<u>2015</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 20,531,145	\$ 20,510,984	\$ 20,161
Use of Money and Property	152,933	182,859	(29,926)
Charges for Services	1,847,416	1,713,155	134,261
State/Federal Sources	16,919,428	15,058,510	1,860,918
Other	580,157	562,488	17,669
Operating Transfers In	19,241	16,823	2,418
Totals	<u>\$ 40,050,320</u>	<u>\$ 38,044,819</u>	<u>\$ 2,005,501</u>

<u>Expenses:</u>	<u>2016</u>	<u>2015</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 3,867,017	\$ 3,672,453	\$ 194,564
Instruction	20,617,684	19,511,938	1,105,746
Pupil Transportation	938,484	976,127	(37,643)
Employee Benefits	8,959,690	9,545,421	(585,731)
Debt Service	2,628,767	2,198,177	430,590
Operating Transfers Out	80,847	1,596,812	(1,515,965)
Totals	<u>\$ 37,092,489</u>	<u>\$ 37,500,928</u>	<u>\$ (408,439)</u>

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the general fund's original budget and the final amended budget was \$29,030. This amount represents the carryover of outstanding purchase orders (encumbrances) from the 2014/15.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2016 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 999,223
Buildings and Improvements	28,871,500
Machinery and Equipment	<u>1,480,926</u>
Total	<u>\$31,351,649</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$2,033,728. The most significant change to the capital assets is attributable to the expenditures from the ongoing capital project less the depreciation expense.

DEBT

The District had debt outstanding including serial bonds and an energy performance contract in the amounts of \$19,571,722 as of June 30, 2016, an increase over the previous year of \$2,861,182. The debt outstanding for the year ended June 30, 2016 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$ 18,625,000
Energy Performance Contract	<u>946,722</u>
Totals	<u>\$ 19,571,722</u>

The District has refunding bonds outstanding, the proceeds of which are in escrow to fund other previously existing debt. The refunding was done to lower the interest payments that are paid in the future.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on a percentage of the total full value of real property. At June 30, 2016 the District's general obligation debt was less than its total debt limit.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future. One challenge facing the District is the state's economy and its effect on state aid funding levels. When the state initially dealt with the impacts of the "Great Recession," it experienced a significant loss of revenue and implemented a freeze in foundation aid levels along with a Gap Elimination Adjustment (GEA) which reduced foundation aid amounts due to school districts. However, following years of State aid reductions, during the 2016-2017 State budget negotiations, the GEA was fully restored. At this time the District does not expect large annual increases to its foundation aid in future years (beyond the 2016-2017 fiscal year); in part due to the large increases in foundation aid levels resulting from the restoration of the GEA, as well as the unpredictability of the State budget negotiation process.

In June of 2011, the New York State Legislature passed the Property Tax Cap Chapter 97 of the Laws of 2011, which began with the 2012 – 2013 school year budget. The law was renewed in June 2015, which extended the cap until 2020. The legislation provides a calculation for a tax levy limit, which caps the amount of revenues the District can raise through the levy of taxes. In the circumstance of a defeat of an original budget with a tax levy increase calculated in accordance with the legislation and a resubmitted/revised budget defeat, the Board of Education is mandated by this legislation to adopt a budget that levies a tax no greater than that of the prior year; a zero percent tax levy increase. This would prove to be a serious strain on the ability of the District to meet its obligations and has the potential to eliminate all of the District's fund balance. Additionally, and although we are four years past its initial adoption, the legislation continues to pose a serious public relations challenge to the District due to the public perception of the law; it was and continues to be publicized, as a "2% property tax cap" and many members of the public may interpret this as a law which caps their individual tax bills at 2%, so it is up to the District to combat the misconceptions of the law. Furthermore, the inflation factor impacting the calculation has continued to decrease on an annual basis, and has been extremely low for the last two budget cycles (2015-16 and 2016-17). The Office of the New York State Comptroller highlights "since July 31, 2013 the inflation factor has been less than 2 percent, therefore the allowable levy growth factor has been equal to one plus the inflation factor."

With the onset of the 2017-2018 budget development process, school districts will be forced to review existing educational program offerings, and review all services offered to determine if there are operational efficiencies that can be implemented. Areas such as special education and transportation have been focal points in the past in terms of cost cutting and the District recognizes the burden that is placed in these areas because of some of the unfunded mandates originating from a State level. The District is in the process of updating the long range financial plan to ensure that fund balance management is followed.

Current challenges include maintaining and upgrading the existing facilities. Future projects will create additional financial pressure on the entire community as a result of both short-term expenditure growth, and longer-term expenditure growth as the result of the additions and renovations to facilities that will result over time.

In conclusion, the Glens Falls City School District has committed itself to financial planning, and fiscal accountability. The district will continue the essential long range financial plan, and will continue to strive to add to its existing fund balance and reserves to prepare for and to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

It is the intent of this report 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 funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Glens Falls City School District
15 Quade Street
Glens Falls, New York 12801

GLENS FALLS CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

Unrestricted cash	\$ 4,141,748	
Restricted cash	4,543,296	
Taxes receivable	563,805	
Other receivables, net	35,599	
State and federal aid receivable	1,905,837	
Due from other governments	1,095,861	
Due from fiduciary funds	180,488	
Prepaid expenditures	4,620	
Inventories	27,887	
Capital assets, net	31,351,649	
Net pension asset-proportionate share	9,401,630	
Total Assets		<u>\$ 53,252,420</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	\$ 4,222,651	
Total Deferred Outflows of Resources		<u>\$ 4,222,651</u>

LIABILITIES

Current Liabilities:

Accounts payable	\$ 465,231
Accrued liabilities	86,732
Due to other governments	56,283
Due to teachers' retirement system	1,985,781
Due to employees' retirement system	149,851
Unearned revenue	11,071

Long-Term Liabilities:

Due and payable within one year

Bonds payable	1,930,000
Other debt payable	137,456

Due and payable after one year

Bonds payable	16,695,000
Other debt payable	809,266
Compensated absences payable	1,712,015
Other postemployment benefits payable	16,938,742
Net pension liability - proportionate share	2,062,832

Total Liabilities	<u>\$ 43,040,260</u>
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DEFERRED INFLOWS OF RESOURCES

Pensions	3,559,010	
Advanced refunding premium	907,425	
Total Deferred Inflows of Resources		<u>\$ 4,466,435</u>

NET POSITION

Net Investment in Capital Assets	11,799,511	
Restricted	4,608,084	
Unrestricted (deficit)	(6,439,219)	
Total Net Position		<u>\$ 9,968,376</u>

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For Year Ended June 30, 2016

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Charges for Services</u>		
FUNCTIONS/PROGRAMS					
General support	\$ 3,805,647	\$ 1,167,710	\$ -	\$ -	\$ (4,973,357)
Instruction	22,177,670	8,064,938	1,847,416	1,514,580	(26,880,612)
Pupil transportation	997,623	475,411	-	59,139	(1,413,895)
Employee benefits	9,744,185	(9,744,185)	-	-	-
Debt service-interest	1,007,793	-	-	-	(1,007,793)
Depreciation	1,569,020	-	-	-	(1,569,020)
Fiscal agent fees	234,357	-	-	-	(234,357)
School lunch program	871,047	36,126	321,402	637,451	51,680
	<u>\$ 40,407,342</u>	<u>\$ -</u>	<u>\$ 2,168,818</u>	<u>\$ 2,211,170</u>	<u>(36,027,354)</u>
Total Functions and Programs					
GENERAL REVENUES					
Real property taxes					17,650,439
Other tax items					2,682,791
Use of money and property					153,145
Sale of property and compensation for loss					10,230
Miscellaneous					569,927
State sources					16,846,065
Federal sources					73,363
Premium on obligations					859,126
					<u>38,845,086</u>
Total General Revenues					
Change in Net Position					2,817,732
Total Net Position - Beginning of year					7,150,644
Total Net Position - End of year					<u>\$ 9,968,376</u>

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2016

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position Totals</u>
ASSETS				
Unrestricted cash	\$ 4,141,748	\$ -	\$ -	\$ 4,141,748
Restricted cash	4,543,296	-	-	4,543,296
Taxes receivable	563,805	-	-	563,805
Other receivables, net	35,599	-	-	35,599
Due from other funds	2,017,902	-	(2,017,902)	-
Due from fiduciary funds	-	-	180,488	180,488
Due from other governments	1,095,861	-	-	1,095,861
State and federal aid receivable	1,905,837	-	-	1,905,837
Prepaid expenditures	4,620	-	-	4,620
Inventories	27,887	-	-	27,887
Capital assets, (net)	-	31,351,649	-	31,351,649
Net pension asset - proportionate share	-	9,401,630	-	9,401,630
Total Assets	<u>\$ 14,336,555</u>	<u>\$ 40,753,279</u>	<u>\$ (1,837,414)</u>	<u>\$ 53,252,420</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	\$ -	\$ 4,222,651	\$ -	\$ 4,222,651
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 4,222,651</u>	<u>\$ -</u>	<u>\$ 4,222,651</u>
LIABILITIES				
Accounts payable	\$ 465,231	\$ -	\$ -	\$ 465,231
Accrued liabilities	48,427	38,305	-	86,732
Bonds payable	-	18,625,000	-	18,625,000
Other debt payable	-	946,722	-	946,722
Due to other funds	1,837,414	-	(1,837,414)	-
Due to other governments	56,283	-	-	56,283
Due to teachers' retirement system	1,985,781	-	-	1,985,781
Due to employees' retirement system	149,851	-	-	149,851
Other postemployment benefits payable	-	16,938,742	-	16,938,742
Compensated absences	-	1,712,015	-	1,712,015
Unearned revenues	11,071	-	-	11,071
Net pension liability- proportionate share	-	2,062,832	-	2,062,832
Total Liabilities	<u>\$ 4,554,058</u>	<u>\$ 40,323,616</u>	<u>\$ (1,837,414)</u>	<u>\$ 43,040,260</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 3,559,010	\$ -	\$ 3,559,010
Deferred taxes (city)	513,534	-	(513,534)	-
Advanced refunding premium	-	907,425	-	907,425
Total Deferred Inflows of Resources	<u>\$ 513,534</u>	<u>\$ 4,466,435</u>	<u>\$ (513,534)</u>	<u>\$ 4,466,435</u>
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Position	<u>\$ 9,268,963</u>	<u>\$ 185,879</u>	<u>\$ 513,534</u>	<u>\$ 9,968,376</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position	<u>\$ 14,336,555</u>	<u>\$ 44,975,930</u>	<u>\$ (1,837,414)</u>	<u>\$ 57,475,071</u>

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2016

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 17,848,354	\$ (197,915)	\$ -	\$ -	\$ 17,650,439
Other tax items	2,682,791	-	-	-	2,682,791
Charges for services	1,847,416	-	-	-	1,847,416
Use of money and property	153,145	-	-	-	153,145
Sale of property and compensation for loss	10,230	-	-	-	10,230
Miscellaneous	571,746	-	-	-	571,746
State sources	17,211,612	-	-	-	17,211,612
Federal sources	1,918,986	-	-	-	1,918,986
Sales - school lunch	319,583	-	-	-	319,583
Total Revenues	<u>42,563,863</u>	<u>(197,915)</u>	<u>-</u>	<u>-</u>	<u>42,365,948</u>
EXPENDITURES\EXPENSES					
General support	3,867,017	-	(61,370)	-	3,805,647
Instruction	22,193,508	-	(15,838)	-	22,177,670
Pupil transportation	997,623	-	-	-	997,623
Employee benefits	8,995,816	748,369	-	-	9,744,185
Debt service-Principal	2,771,182	-	-	(2,771,182)	-
-Interest	1,035,244	(27,451)	-	-	1,007,793
Cost of sales	871,047	-	-	-	871,047
Capital outlay	3,525,540	-	(3,525,540)	-	-
Depreciation	-	-	1,569,020	-	1,569,020
Total Expenditures	<u>44,256,977</u>	<u>720,918</u>	<u>(2,033,728)</u>	<u>(2,771,182)</u>	<u>40,172,985</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,693,114)</u>	<u>(918,833)</u>	<u>2,033,728</u>	<u>2,771,182</u>	<u>2,192,963</u>
OTHER SOURCES AND USES					
Bond anticipation notes redeemed	1,021,495	-	-	(1,021,495)	-
Premium on obligations	1,766,551	-	-	(907,425)	859,126
Proceeds from obligations	6,785,000	-	-	(6,785,000)	-
Proceeds from advanced refunding	6,860,000	-	-	(6,860,000)	-
Fiscal agent fees	(234,357)	-	-	-	(234,357)
Payment to escrow agent	(7,180,000)	-	-	7,180,000	-
Operating transfers in	100,088	(100,088)	-	-	-
Operating transfers (out)	(100,088)	100,088	-	-	-
Total Other Sources (Uses)	<u>9,018,689</u>	<u>-</u>	<u>-</u>	<u>(8,393,920)</u>	<u>624,769</u>
Net Change for the Year	<u>\$ 7,325,575</u>	<u>\$ (918,833)</u>	<u>\$ 2,033,728</u>	<u>\$ (5,622,738)</u>	<u>\$ 2,817,732</u>

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 3,139,038	\$ 876,096	\$ 117,634	\$ -	\$ 8,980	\$ 4,141,748
Restricted cash	4,543,296	-	-	-	-	4,543,296
Taxes receivable, net	563,805	-	-	-	-	563,805
State and federal aid receivable	1,041,654	707,456	156,727	-	-	1,905,837
Due from other governments	1,095,861	-	-	-	-	1,095,861
Other receivables, net	35,599	-	-	-	-	35,599
Due from other funds	1,860,489	-	-	64,426	92,987	2,017,902
Prepaid expenditures	4,620	-	-	-	-	4,620
Inventories	-	-	27,887	-	-	27,887
Total Assets	\$ 12,284,362	\$ 1,583,552	\$ 302,248	\$ 64,426	\$ 101,967	\$ 14,336,555
LIABILITIES						
Accounts payable	\$ 339,821	\$ 57,230	\$ 54,090	\$ -	\$ 14,090	\$ 465,231
Accrued liabilities	44,717	-	3,710	-	-	48,427
Due to teachers' retirement system	1,985,781	-	-	-	-	1,985,781
Due to employees' retirement system	149,851	-	-	-	-	149,851
Due to other funds	92,987	1,525,960	152,779	-	65,688	1,837,414
Due to other governments	55,777	-	506	-	-	56,283
Compensated absences payable	-	-	-	-	-	-
Unearned revenues	-	-	11,071	-	-	11,071
Total Liabilities	2,668,934	1,583,190	222,156	-	79,778	4,554,058
DEFERRED INFLOWS OF RESOURCES						
Deferred taxes (city)	513,534	-	-	-	-	513,534
Total Deferred Inflows of Resources	513,534	-	-	-	-	513,534
FUND BALANCES						
Non-spendable	4,620	-	27,887	-	-	32,507
Restricted	4,543,296	362	-	64,426	-	4,608,084
Assigned	28,225	-	52,205	-	22,189	102,619
Unassigned	4,525,753	-	-	-	-	4,525,753
Total Fund Balances	9,101,894	362	80,092	64,426	22,189	9,268,963
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,284,362	\$ 1,583,552	\$ 302,248	\$ 64,426	\$ 101,967	\$ 14,336,555

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL
FUNDS
For Year Ended June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 17,848,354	\$ -	\$ -	\$ -	\$ -	\$ 17,848,354
Other tax items	2,682,791	-	-	-	-	2,682,791
Charges for services	1,847,416	-	-	-	-	1,847,416
Use of money and property	152,933	-	212	-	-	153,145
Sale of property and compensation for loss	10,230	-	-	-	-	10,230
Miscellaneous	569,927	-	1,819	-	-	571,746
State sources	16,846,065	345,528	20,019	-	-	17,211,612
Federal sources	73,363	1,228,191	617,432	-	-	1,918,986
Sales	-	-	319,583	-	-	319,583
Total Revenues	40,031,079	1,573,719	959,065	-	-	42,563,863
EXPENDITURES						
General support	3,867,017	-	-	-	-	3,867,017
Instruction	20,617,684	1,575,824	-	-	-	22,193,508
Pupil transportation	938,484	59,139	-	-	-	997,623
Employee benefits	8,959,690	-	36,126	-	-	8,995,816
Debt service						
Principal	2,094,471	-	-	676,711	-	2,771,182
Interest	534,296	-	-	500,948	-	1,035,244
Cost of sales	-	-	871,047	-	-	871,047
Capital outlay	-	-	-	-	3,525,540	3,525,540
Total Expenditures	37,011,642	1,634,963	907,173	1,177,659	3,525,540	44,256,977
Excess (Deficiency) of Revenues Over Expenditures	3,019,437	(61,244)	51,892	(1,177,659)	(3,525,540)	(1,693,114)
OTHER SOURCES AND USES						
Bond anticipation notes redeemed	-	-	-	-	1,021,495	1,021,495
Premium on obligations	-	-	-	1,766,551	-	1,766,551
Proceeds from obligation	-	-	-	-	6,785,000	6,785,000
Proceeds from advanced refunding	-	-	-	6,860,000	-	6,860,000
Fiscal agent fees	-	-	-	(234,357)	-	(234,357)
Payment to escrow agent	-	-	-	(7,180,000)	-	(7,180,000)
Operating transfers in	19,241	80,847	-	-	-	100,088
Operating transfers (out)	(80,847)	(19,241)	-	-	-	(100,088)
Total Other Sources (Uses)	(61,606)	61,606	-	1,212,194	7,806,495	9,018,689
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	2,957,831	362	51,892	34,535	4,280,955	7,325,575
Fund Equity (Deficit) - Beginning of year	6,144,063	-	28,200	29,891	(4,258,766)	1,943,388
Fund Equity - End of year	\$ 9,101,894	\$ 362	\$ 80,092	\$ 64,426	\$ 22,189	\$ 9,268,963

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ 98,406	\$ 407,672
Investments	<u>248,209</u>	<u>-</u>
Total Assets	<u><u>\$ 346,615</u></u>	<u><u>\$ 407,672</u></u>
 LIABILITIES		
Due to governmental funds	\$ -	\$ 180,488
Extraclassroom activity balances	-	34,590
Other liabilities	<u>-</u>	<u>192,594</u>
Total Liabilities	<u><u>-</u></u>	<u><u>\$ 407,672</u></u>
 NET POSITION		
Reserved for scholarships	<u><u>\$ 346,615</u></u>	

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Year Ended June 30, 2016

	Private Purpose Trusts
ADDITIONS	
Contributions	\$ 22,448
Interest	9,042
Net realized/unrealized gains	<u>(5,859)</u>
Total Additions	<u>25,631</u>
 DEDUCTIONS	
Scholarships and awards	<u>83,799</u>
Change in Net Position	(58,168)
Net Position - Beginning of year	<u>404,783</u>
Net Position- End of year	<u><u>\$ 346,615</u></u>

See auditor's report. See notes to financial statements.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The Glens Falls City School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Glens Falls City School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included in these financial statements. The District accounts for assets held as an agent for various student organizations in an agency fund.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

The Glens Falls City School District is one of 31 component school districts in the Washington-Saratoga-Warren-Hamilton-Essex Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which their students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2016, the Glens Falls City School District was billed \$4,347,228 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,031,598. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The Districtwide 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,

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

C. **Basis of Presentation (Continued)**

1. **Districtwide Statements (Continued)**

State Aid, intergovernmental revenues, and other exchange and nonexchange 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. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

2. **Fund Financial Statements**

The fund financial 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 District reports the following funds:

a. **Major Governmental Funds**

- (1) **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.
- (2) **Special Aid Fund** -- These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

GLENS FALLS CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

a. Major Governmental Funds (Continued)

- (3) School Lunch Fund** – Used to account for transactions of the District's lunch and breakfast programs.
- (4) Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the districtwide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

- (1) Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- (2) 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.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The districtwide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

E. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on September 18. Taxes are collected during the period September 18 to December 15.

The City and Counties in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, a deferred inflow of resources offset real property taxes receivable.

G. Restricted Resources

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

H. Interfund Transactions

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

In the districtwide 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 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.

Refer to Note IV for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

J. Receivables

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventoriable 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 district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. Under the consumption method, a current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the districtwide financial statements and their use is limited by applicable bond covenants.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

In the districtwide financial statements and in the fund statements, bond issuance costs are netted against bond proceeds and recognized in the period of issuance.

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Site Improvements	\$ 2,500	20
Buildings and Improvements	\$ 2,500	15-50
Furniture and Equipment	\$ 2,500	5-15
Vehicles	\$ 2,500	8

N. Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

N. **Compensated Absences (Continued)**

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide 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 resources. These amounts are expensed on a pay-as-you-go basis.

O. **Accrued Liabilities and Long-Term Obligations**

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

Claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

P. **Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category, both of which relate to pensions. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item represents the amount of premium received for the advanced refunding of bonds.

R. Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

S. Postemployment Benefits

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

T. Short-Term Debt

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

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

The School District may issue Bond Anticipation Notes in anticipation of proceeds from the subsequent sale of bonds. These bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

U. Equity Classifications

1. Districtwide Statements

In the districtwide statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements**

In the fund basis statements, there are five classifications of fund balance:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$27,887 and prepaid expenses in the General Fund of \$4,620.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

1. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and 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.

2. **Capital**

This reserve is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and 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.

GLENS FALLS CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Tax Certiorari

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

4. Employee Retirement Contributions

This reserve is used for future employee's retirement obligations. 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.

5. Workers' Compensation

This reserve 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.

Restricted fund balance includes the following:

General Fund:	
Employee Retirement Contributions	\$ 3,477,571
Tax Certiorari	259,061
Capital	175,151
Workers' Compensation	631,513
Debt Service Fund	64,426
Special Aid Fund	362
Total restricted funds	<u>\$ 4,608,084</u>

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements (Continued)**

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2016.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$28,225.

Unassigned – Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

Order of Use of Fund Balance:

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

V. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the District implemented the following new standard issued by GASB:

GASB has issued Statement 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

W. Future Changes in Accounting Standards

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

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

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements

Due to differences in the measurement focus and basis of accounting used in the governmental fund statements and the districtwide 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.

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

Total fund balances of the District's governmental funds differ 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.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

a. Long-term revenue differences:

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

b. 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.

c. 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.

d. Pension differences:

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually of their useful lives.

Original cost of capital assets	\$64,601,994
Accumulated depreciation	<u>33,250,345</u>
Capital assets, net	<u>\$31,351,649</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	<u>\$ 18,625,000</u>
Other debt	<u>\$ 946,722</u>
Compensated absences payable	<u>\$ 1,712,015</u>
OPEB obligations	<u>\$ 16,938,742</u>

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$1,569,020 was less than capital expenditures of \$3,602,748 in the current year.

Repayment of bond principal of \$8,929,687 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities decreased by \$27,451.

III. Cash and Investments

A. Deposits

The Glens Falls City School District's investment policies are governed by State statutes. The Glens Falls City School District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit 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 school districts.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Cash and Investments (Continued)

A. Deposits (Continued)

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

The District did not have any investments at year end or during the year.

IV. Interfund Transaction

Interfund balances at June 30, 2016 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,860,489	\$ 92,987	\$ 19,241	\$ 80,847
Special Aid Fund	-	1,525,960	80,847	19,241
School Lunch Fund	-	152,779	-	-
Capital Fund	92,987	65,688	-	-
Debt Service Fund	64,426	-	-	-
Total governmental activities	2,017,902	1,837,414	\$ 100,088	\$ 100,088
Fiduciary Agency Fund	-	180,488		
Totals	\$ 2,017,902	\$ 2,017,902		

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Capital Assets

A summary of changes in general fixed assets follows:

	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
<u>Capital assets-not depreciated:</u>				
Land	\$ 999,223	\$ -	\$ -	\$ 999,223
Construction in progress	6,675,876	3,305,551	9,981,427	-
Total capital assets-not depreciated:	7,675,099	3,305,551	9,981,427	999,223
<u>Other capital assets:</u>				
Buildings and improvements	48,536,658	9,981,427	-	58,518,085
Equipment and vehicles	4,787,489	297,197	-	5,084,686
Total other capital assets:	53,324,147	10,278,624	-	63,602,771
<u>Less accumulated depreciation:</u>				
Buildings and improvements	28,298,489	1,348,096	-	29,646,585
Equipment and vehicles	3,382,836	220,924	-	3,603,760
Total accumulated depreciation	31,681,325	1,569,020	-	33,250,345
Other capital assets, net	21,642,822	8,709,604	-	30,352,426
Total	\$ 29,317,921	\$ 12,015,155	\$ 9,981,427	\$ 31,351,649

Depreciation expense for the period was shown as unallocated in the Statement of Activities.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans

1. General Information

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

2. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

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

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Contributions

	<u>ERS</u>	<u>TRS</u>
2016	\$508,255	\$2,426,797
2015	\$715,221	\$2,436,076
2014	\$826,508	\$1,857,730

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

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u> 31-Mar-16	<u>TRS</u> 30-Jun-15
Actuarial valuation date		
Net pension asset/(liability)	(\$2,062,832)	\$9,401,630
District's portion of the Plan's total net pension asset/(liability)	.0128523%	.090515%

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

For the year ended June 30, 2016, the District's recognized pension expense of \$718,917 for ERS and the actuarial value \$2,383,482 for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$10,424	\$0	\$244,514	\$260,559
Changes of assumptions	550,095	0	0	0
Net difference between projected and actual earnings on pension plan investments	1,223,785	0	0	2,971,905
Changes in proportion and differences between the District's contributions and proportionate share of contributions	7,456	295,259	82,032	0
District's contributions subsequent to the measurement date	149,851	1,985,781	0	0
Total	\$1,941,611	\$2,281,040	\$326,546	\$3,232,464

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2016	\$ -	\$ (1,163,473)
2017	\$374,231	(1,163,473)
2018	\$374,231	(1,163,473)
2019	\$374,231	529,454
2020	\$347,694	2,735
Thereafter	\$0	\$ 21,026

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7%	8%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.5%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	<u>ERS</u> March 31, 2015	<u>TRS</u> June 30, 2014
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equity	38%	37%
International Equity	13%	18%
Private Equity	10%	0%
Real Estate	8%	10%
Alternative Investments	0%	7%
Domestic fixed income securities	0%	17%
Global fixed income securities	0%	2%
Bonds and Mortgages	18%	8%
Short-term	0%	1%
Absolute return strategies	3%	0%
Opportunistic portfolio	3%	0%
Real Assets	3%	0%
Cash Equivalents	2%	0%
Inflation-Indexed bonds	2%	0%

5. Discount Rate

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

6. Sensitivity of the Proportionate Share of 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% for ERS and 8.0% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 7.0% for TRS) or 1-percentage point higher (8.0% for ERS and 9.0% for TRS) than the current rate :

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension (asset) liability	\$4,651,535	\$2,062,832	(\$124,513)
TRRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share Of the net pension (asset) liability	\$641,312	(\$9,401,630)	(\$17,966,151)

7. Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)		
	ERS	TRS	Total
Valuation date	March 31, 2016	June 30, 2015	
Employers' total pension liability	\$ 172,303,544	\$ 99,332,103,743	\$99,504,407,287
Plan Fiduciary Net Position	(156,253,265)	109,718,916,659	109,562,663,394
Employers' net pension liability	16,050,279	(10,386,812,916)	(10,370,762,637)
System fiduciary net position as a percentage of total pension liability	90.7000%	110.4600%	201.16%

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$149,851.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,985,781.

VII. Short-Term Debt Obligations

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

	Maturity	Interest Rate	Balance 7/1/2015	Issued	Redeemed	Balance 6/30/16
BAN	2015	.5%	\$ 85,495	\$ -	\$ 85,495	\$ -
BAN	2015	1.25%	7,491,000	-	7,491,000	-
			<u>\$7,576,495</u>	<u>\$ -</u>	<u>\$ 7,576,495</u>	<u>\$ -</u>

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Short-Term Debt Obligations (Continued)

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

Interest paid	\$124,919
Less interest accrued in the prior year	(44,325)
Plus interest accrued in the current year	<u>-</u>
Total expense	<u>\$80,594</u>

VIII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$ 910,325
Less interest accrued in the prior year	(21,431)
Plus interest accrued in the current year	<u>38,305</u>
Total expense	<u>\$927,199</u>

2. Changes

	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016	Due Within One Year
Serial Bonds	\$ 13,775,000	\$ 13,645,000	\$ 8,795,000	\$ 18,625,000	\$ 1,930,000
Other debt	1,081,409	-	134,687	946,722	\$ 137,456
Compensated Absences	1,712,015	-	-	1,712,015	
Due to Employees' Retirement System	25,401	-	25,401	-	
OPEB Obligations	13,839,022	3,099,720	-	16,938,742	
Totals	<u>\$ 30,432,847</u>	<u>\$ 16,744,720</u>	<u>\$ 8,955,088</u>	<u>\$ 38,222,479</u>	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations (Continued)

3. Maturity

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2016
Bonds:				
Advanced refunding	2012	2024	2.5-5%	\$ 3,990,000
Advanced refunding	2015	2023	2-5%	6,760,000
Bus Bond	2015	2020	1-2%	230,000
Construction	2016	2031	2-5%	6,555,000
Construction	2008	2023	3.625-4%	1,090,000
				<u>\$ 18,625,000</u>
Other:				
Energy Performance	2007	2022	2.04%	<u>\$ 946,722</u>

b. The following is a summary of maturing principal debt service requirements:

	Year	Principal	Interest	Total
Serial Bonds:	2017	\$ 1,930,000	\$ 734,235	\$ 2,664,235
	2018	2,000,000	602,420	2,602,420
	2019	2,020,000	548,113	2,568,113
	2020	2,015,000	483,381	2,498,381
	2021	2,070,000	413,275	2,483,275
	2022 and thereafter	8,590,000	1,274,050	9,864,050
	Total	<u>\$ 18,625,000</u>	<u>\$ 4,055,474</u>	<u>\$ 22,680,474</u>

Defeasance of Debt

Certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds and the trust account assets are not included in the financial statements.

IX. Other Debt

The Glens Falls City School District, during 2003-2004, entered into an agreement to finance the cost of energy efficiency improvements over a fifteen year period. The unpaid balance at June 30, 2016 was \$946,722. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2016.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Other Debt (Continued)

Year Ending June 30,	General Long-Term Debt
2017	\$ 155,698
2018	155,698
2019	155,698
2020	155,698
2021	155,698
2022 -thereafter	233,547
Minimum Lease Payments - Capital Leases	1,012,037
Less: Amount representing interest of 2.04%	65,315
Present Value-Minimum Lease Payments	<u>\$ 946,722</u>

X. Postemployment (Health Insurance) Benefits

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 implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$836,112 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2015 which indicates that the total liability for other postemployment benefits is \$16,938,742, which is reflected in the Statement of Net Position.

The District currently pays for postemployment health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to fund and invest assets necessary to pay for the accumulated liability, the District will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Postemployment (Health Insurance) Benefits (Continued)

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 of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 4,286,717
Interest on net OPEB obligation	532,802
Adjustment to annual required contribution	(883,687)
Annual OPEB cost (expense)	<u>3,935,832</u>
Contributions made	<u>836,112</u>
Increase in net OPEB obligation	3,099,720
Net OPEB obligation-beginning of year	13,839,022
Net OPEB obligation-end of year	<u><u>\$ 16,938,742</u></u>

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2014	\$3,105,395	21.0%	\$11,047,183
6/30/2015	\$3,551,941	21.4%	\$13,839,022
6/30/2016	\$3,935,832	21.2%	\$16,938,742

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$42,721,455, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$42,721,455. 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.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Postemployment (Health Insurance) Benefits (Continued)

Funded Status and Funding Progress (Continued)

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. The schedule of funding progress, presented as required supplementary information in the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 3.85% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6% initially, decreased by increments to an ultimate rate of 5.5% in the final year. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period, at June 30, 2016, was 22 years.

XI. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Commitments and Contingencies (Continued)

A. Risk Financing and Related Insurance (Continued)

2. Workers' Compensation Pool

The School District participates in the Southern Adirondack Public Schools Workers' Compensation plan administered by the Board of Directors which is composed of the chief executive officer or other designated officers of the districts participating in Washington-Saratoga-Warren-Hamilton-Essex BOCES. Participants of the plan are required to make their current year contributions on July 15 and October 15 of each plan year. The plan year is July 1 through June 30. The Board may retain surplus to establish and maintain a claim contingency fund. If sufficient funds are not available the Board will determine the amount to be assessed to the participants. For the year ended June 30, 2016, \$179,679 was paid to the plan for workers' compensation premiums.

3. Grants

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

4. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payments of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

5. Health Insurance Consortium

The District participates in the Washington-Saratoga-Warren-Hamilton-Essex Counties Health Insurance Consortium Trust, a non-risk-retained public entity risk pool for its employee health insurance coverage. The health Insurance Consortium Trust is operated for the benefit of thirty School District/BOCES Members located in the counties of Washington, Saratoga, Warren, Hamilton and Essex, New York. The purpose of the Health Insurance Consortium Trust is to enable the member School/BOCES Districts to purchase group health insurance pursuant to New York State Insurance Law Section 4235.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Other Disclosures

A. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$ 9,268,963
Capital assets (net)	31,351,649
Net pension asset- proportionate share	9,401,630
Deferred outflows of resources	4,222,651
Bonds payable	(18,625,000)
Other debt payable	(946,722)
Accrued interest payable	(38,305)
Net pension liability- proportionate share	(2,062,832)
Deferred inflows of resources	(4,466,435)
Compensated absences	(1,712,015)
OPEB obligations	(16,938,742)
Deferred taxes	513,534
Total net position	<u>\$ 9,968,376</u>

B. Operating Leases

The Glens Falls City School District leases equipment under an operating lease. Total rental expenditure on such leases for the fiscal year ended June 30, 2016 was approximately \$8,847. The future operating lease payments are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2017	\$ 8,076
2018	8,076
	<u>\$ 16,152</u>

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Other Disclosures (Continued)

C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net changes in fund balance – total governmental funds	\$7,325,575
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	3,602,748
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(1,569,020)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	9,951,182
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2015/16 results in less expense.	27,451
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities	(197,915)
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(14,666,495)
Premium on obligations to be amortized	(907,425)
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	2,572,395
Employee's Retirement System	(246,445)
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:	
OPEB obligations	(3,099,720)
Employees' retirement system	25,401
Change in Net Position – Governmental Activities	<u>\$ 2,817,732</u>

GLENS FALLS CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a. The School District's administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the School District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the fiscal year end. 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.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. Budget Basis of Accounting

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

The budget and actual comparison in the Schedule of Revenues and Expenditures-Budget and Actual, reflects budgeted and actual amounts for the General Fund which is a legally authorized (appropriated) budget.

Special Aid Fund and School Lunch Fund have not been included in the comparison because they do not have legally authorized budgets.

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. The budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

3. Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time as the liability is incurred or the commitment is paid.
4. Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2016, indicate that the unassigned fund balance is in excess of the legal limit.

XIII. Subsequent Events

There were no significant subsequent events to report from the period of July 1, 2016 to September 15, 2016.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property tax items	\$ 19,961,153	\$ 17,652,628	\$ 17,848,354	\$ 195,726
Other tax items	279,000	2,587,525	2,682,791	95,266
Charges for services	1,645,500	1,645,500	1,847,416	201,916
Use of money and property	156,000	156,000	152,933	(3,067)
Sale of property and compensation for loss	-	-	10,230	10,230
Miscellaneous	395,000	395,000	569,927	174,927
Total Local Sources	22,436,653	22,436,653	23,111,651	674,998
State sources	17,191,347	17,191,347	16,846,065	(345,282)
Federal sources	70,000	70,000	73,363	3,363
Total Revenues	39,698,000	39,698,000	40,031,079	333,079
Other Financing Sources				
Operating transfers in	20,000	20,000	19,241	(759)
Total Revenue and Other Financing Sources	39,718,000	39,718,000	40,050,320	\$ 332,320
Appropriated Reserves	-	29,030		
Appropriated Fund Balance	-	-		
Total Revenues, Other Financing Sources, Appropriated Reserves and Fund Balance	\$ 39,718,000	\$ 39,747,030		

See paragraph on required supplementary information included in auditor's report.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES
COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 37,200	\$ 37,200	\$ 30,130	\$ -	\$ 7,070
Central administration	223,000	223,000	220,380	-	2,620
Finance	368,810	395,241	384,515	-	10,726
Staff	182,000	155,681	123,631	-	32,050
Central services	3,014,100	3,023,112	2,717,542	-	305,570
Special items	373,000	472,779	390,819	-	81,960
Total General Support	4,198,110	4,307,013	3,867,017	-	439,996
Instructional					
Instruction, administration and improvement	1,315,390	1,328,991	1,271,218	585	57,188
Teaching - regular school	10,573,460	10,276,583	9,966,372	24,714	285,497
Programs for children with handicapping conditions	5,490,750	5,477,674	5,305,079	-	172,595
Occupational education	870,000	689,880	688,608	-	1,272
Teaching - special school	600	110,888	110,888	-	-
Instructional media	1,458,340	1,472,096	1,409,000	2,926	60,170
Pupil services	1,803,200	1,956,277	1,866,519	-	89,758
Total Instructional	21,511,740	21,312,389	20,617,684	28,225	666,480
Pupil Transportation	1,077,650	1,119,424	938,484	-	180,940
Employee Benefits	9,838,500	9,815,734	8,959,690	-	856,044
Debt Service					
Principal	2,125,182	2,225,652	2,094,471	-	131,181
Interest	866,818	866,818	534,296	-	332,522
Total Expenditures	39,618,000	39,647,030	37,011,642	28,225	2,607,163
OTHER FINANCING USES					
Operating transfers out	100,000	100,000	80,847	-	19,153
Total Expenditures and Other Financing Uses	\$ 39,718,000	\$ 39,747,030	37,092,489	\$ 28,225	\$ 2,626,316
Net change in fund balance			2,957,831		
Fund balance- Beginning			6,144,063		
Fund balance- Ending			\$ 9,101,894		

See paragraph on required supplementary information included in auditor's report.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 42,721,455	\$ 42,721,455	0%	N/A	N/A
July 1, 2014	\$ -	\$ 36,562,290	\$ 36,562,290	0%	N/A	N/A
July 1, 2013	\$ -	\$ 30,616,967	\$ 30,616,967	0%	\$15,524,669	197.00%

See paragraph on required supplementary information included in auditor's report.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2016

	<u>2016</u>
<i>Teachers' Retirement System</i>	
District 's proportion of the net pension asset	.0905150%
District's proportionate share of the net pension asset	\$ 9,401,630
District's covered-employee payroll	\$ 14,546,122
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.63%
Plan fiduciary net position as a percentage of the total pension liability	110.46%

	<u>2016</u>
<i>Employees' Retirement System</i>	
District 's proportion of the net pension liability	.0128523%
District's proportionate share of the net pension liability	\$ 2,062,832
District's covered-employee payroll	\$ 3,540,909
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.26%
Plan fiduciary net position as a percentage of the total pension liability	90.70%

See paragraph on required supplementary information included in auditor's report.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2016

	<u>Teachers' Retirement System</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,985,781	\$ 2,426,797	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>1,985,781</u>	<u>2,426,797</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 14,546,122</u>	<u>\$ 13,793,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	13.6%	17.6%			

	<u>Employees' Retirement System</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 508,255	\$ 715,221	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>508,255</u>	<u>715,221</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 3,540,909</u>	<u>\$ 3,579,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	14.4%	19.9%			

See paragraph on required supplementary information included in auditor's report.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
THE REAL PROPERTY TAX LIMIT
For Year Ended June 30, 2016

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget **\$ 39,718,000**

Additions:

Prior year's encumbrances 29,030

Final Budget \$ 39,747,030

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 Voter-approved Expenditure Budget	\$ 41,422,882
Maximum allowed (4% of 2016-2017 Budget)	<u>\$ 1,656,915</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:

Committed fund balance	\$ -
Assigned fund balance	25,460
Unassigned fund balance	<u>4,533,135</u>
Total unrestricted fund balance	<u>\$ 4,558,595</u>

Less:

Appropriated fund balance	-
Encumbrances included in committed and assigned fund balance	<u>25,460</u>
Total adjustments	<u>\$ 25,460</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 4,533,135</u></u>
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Actual percentage	10.90%
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* 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 paragraph on required supplementary information included in auditor's report.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2016

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2016
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Reconstruction	\$ 10,000,000	\$ 10,000,000	\$ 6,675,876	\$ 3,305,551	\$ 9,981,427	\$ 18,573	\$ 6,555,000	\$ -	\$3,436,000	\$ 9,991,000	\$ 9,573
Buses-2015-16	230,000	230,000	-	219,989	219,989	10,011	230,000	-	-	230,000	10,011
Buses	115,000	104,290	104,290	-	104,290	-	-	-	106,895	106,895	2,605
	<u>\$ 10,345,000</u>	<u>\$ 10,334,290</u>	<u>\$ 6,780,166</u>	<u>\$ 3,525,540</u>	<u>\$ 10,305,706</u>	<u>\$ 28,584</u>	<u>\$ 6,785,000</u>	<u>\$ -</u>	<u>\$3,542,895</u>	<u>\$ 10,327,895</u>	<u>\$ 22,189</u>

See paragraph on required supplementary information included in auditor's report.

GLENS FALLS CITY SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2016

Capital assets, net	\$ 31,351,649
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Deduct:

Short-term capital lease payable	\$ 137,456	
Long-term capital lease payable	809,266	
Short-term portion of bonds payable	1,930,000	
Long-term portion of bonds payable	16,695,000	
less: unspent portion of bonds	<u>(19,584)</u>	<u>19,552,138</u>

Investment in capital assets, net of related debt	<u>\$ 11,799,511</u>
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See paragraph on required supplementary information included in auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

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**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***

To the Board of Education of the
Glens Falls City School District:

We have audited, 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, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Glens Falls City School 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 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Glens Falls City School District's financial statements are free of 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*. We noted certain other matters that we have reported to the Board of Education, Audit Committee, and Management in our accompanying management letter.

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.

A handwritten signature in black ink, reading "Raymond H. Lussan CPA". The signature is written in a cursive, flowing style.

Claverack, New York
September 15, 2016

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

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Claverack, New York 12513

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To the Board of Education of the
Glens Falls City School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Glens Falls City School District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Glens Falls City School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Glens Falls City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Glens Falls City School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 15, 2016 on the financial statements of the Glens Falls City School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

Budget Transfers

The matter of effecting budgetary transfers is of critical importance to the efficient management of a District's fiscal affairs. It is important to note that such transfer authority has its basis in Section 170.2 (I) of Commissioner's Regulations. This authorization is limited to transfers between and within districtwide (ST-3) function unit appropriations for teachers' salaries and ordinary contingent expenses.

Since the adopted budget is, at best, an estimated expenditure plan, it is not unusual for conditions to arise whereby transfers between or among function/object categories are required to maintain fiscal balance. Appropriately, Section 170.2 (I) of Commissioner's Regulations provides for such transfers and permits the Board of Education to facilitate the procedure by authorizing "the Chief School Officer to make transfers within the limits as established by the Board."

During our audit, we noted that budget transfers were not always made on a timely basis in the facilitating budget codes.

We recommend that budget transfers are made prior to the authorization to expend from these codes.

Fixed Assets

During our audit of the fixed assets, we noted that the District had not recently performed a physical inspection of their asset inventory to determine that all assets are intact.

We recommend that such a physical inventory be performed at least every three years to strengthen the control over inventory and also to ensure proper insurance coverage.

Interfund Transactions:

Advances between funds are designed to be temporary in nature and should be repaid as soon as funds are available..

During our audit, we noted the Special Aid Fund, School Lunch Fund, and Trust and Agency Fund were indebted to the General Fund in the amount of \$1,859,227 with funds to repay a portion or all of the advances.

We recommend that interfund loans be reviewed regularly and the funds be repaid when available.


Fund Balance:

Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2016, indicate that the unassigned fund balance is in excess of the legal limit by \$2,876,220.

This communication is intended solely for the information and use of the Board of Education, management, the audit committee, the New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.



Raymond G. Preusser