

GLENS FALLS CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

# 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, 2017, 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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

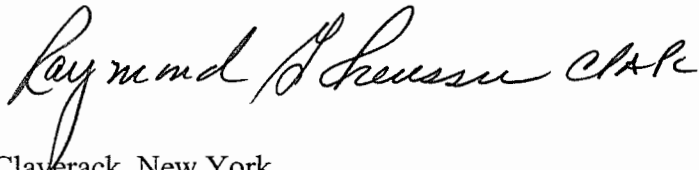
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress of other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M10 and 47-51 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 19, 2017 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.

A handwritten signature in black ink that reads "Raymond J. Sheussen CPA". The signature is written in a cursive, flowing style.

Claverack, New York  
September 19, 2017

**GLENS FALLS CITY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

**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, 2017. 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 \$9,971,138 (restated) to \$12,015,764 from last year.
- As of the close of this fiscal year, the District's governmental funds reported combined fund balances of \$12,635,417, an increase of \$3,363,692 in comparison with the prior year.

**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

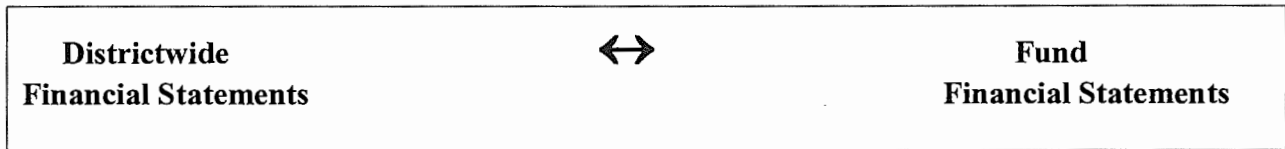
In addition to these statements, this report also includes required supplemental information and other supplemental information.

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**

**District's Proportionate Share of Pension Asset/Liability**

**District Contributions**

**Other Supplemental Information**

**General Fund Budget & Fund Balance Information**

**Capital Project Funds Schedule of Project Expenditures**

**Schedule of Net Investment in Capital Assets**

**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, 2017 and 2016**

	Governmental Activities		Variance
	2017	Restated 2016	Increase (Decrease)
Current Assets	\$ 15,602,225	\$ 12,501,903	\$ 3,100,322
Capital Assets	29,863,349	31,351,649	(1,488,300)
Net Pension Asset	-	9,401,630	(9,401,630)
Total Assets	<u>45,465,574</u>	<u>53,255,182</u>	<u>(7,789,608)</u>
Deferred Outflows of Resources	<u>10,747,082</u>	<u>4,222,651</u>	<u>6,524,431</u>
Total Assets and Outflows of Resources	<u>56,212,656</u>	<u>57,477,833</u>	<u>(1,265,177)</u>
Current Liabilities	4,580,833	4,822,405	(241,572)
Noncurrent Liabilities	35,922,495	36,155,023	(232,528)
Net Pension Liability	2,174,774	2,062,832	111,942
Total Liabilities	<u>42,678,102</u>	<u>43,040,260</u>	<u>(362,158)</u>
Deferred Inflows of Resources	<u>1,518,790</u>	<u>4,466,435</u>	<u>(2,947,645)</u>
Total Liabilities and Inflows of Resources	<u>44,196,892</u>	<u>47,506,695</u>	<u>(3,309,803)</u>
Net Position:			
Investment in capital assets, net of related debt	12,378,667	11,799,511	579,156
Restricted	4,677,673	4,608,084	69,589
Unrestricted (deficit)	<u>(5,040,576)</u>	<u>(6,436,457)</u>	<u>1,395,881</u>
Total Net Position	<u>\$ 12,015,764</u>	<u>\$ 9,971,138</u>	<u>\$ 2,044,626</u>

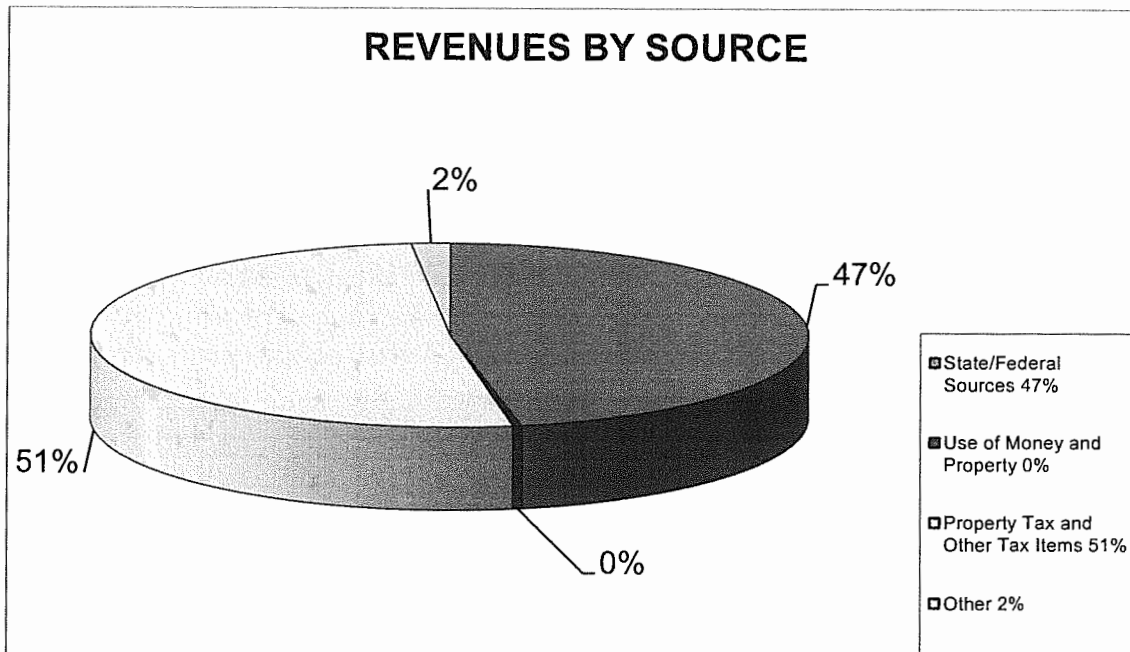


**Glens Falls City School District's  
Changes in Net Position  
For the Years Ended June 30, 2017 and 2016**

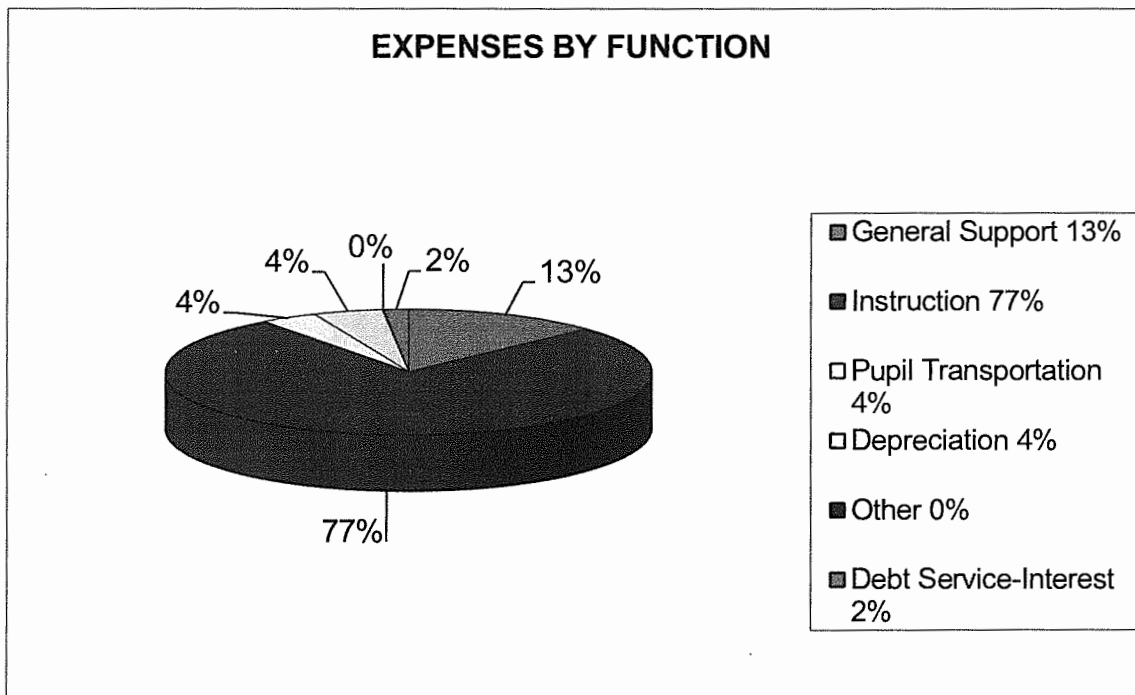
	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services	\$ 2,185,280	\$ 2,168,818	\$ 16,462
Operating Grants and Contributions	2,126,202	2,211,170	(84,968)
Total Program Revenues	<u>\$ 4,311,482</u>	<u>\$ 4,379,988</u>	<u>\$ (68,506)</u>
General Revenues:			
Real Property Taxes	\$ 17,928,643	\$ 17,650,439	\$ 278,204
Other Tax Items	2,436,657	2,682,791	(246,134)
Use of Money and Property	167,218	153,145	14,073
Sale of Property and Compensation for Loss	2,128	10,230	(8,102)
Miscellaneous	695,159	569,927	125,232
State Sources	18,455,611	16,846,065	1,609,546
Federal Sources	189,540	73,363	116,177
Premium on Obligations	-	859,126	(859,126)
Total General Revenues	<u>39,874,956</u>	<u>38,845,086</u>	<u>1,029,870</u>
<b><u>Expenses (Net of Program Revenues):</u></b>			
Instruction	29,124,986	26,880,612	2,244,374
Support Services:			
General Support	4,930,493	4,973,357	(42,864)
Pupil Transportation	1,424,951	1,413,895	11,056
Debt Service-Interest	627,590	1,007,793	(380,203)
Depreciation-Unallocated	1,758,571	1,569,020	189,551
Fiscal Agent Fees	-	234,357	(234,357)
School Lunch	(36,261)	(51,680)	15,419
Total Expenses	<u>37,830,330</u>	<u>36,027,354</u>	<u>1,802,976</u>
Change in Net Position	<u>\$ 2,044,626</u>	<u>\$ 2,817,732</u>	<u>\$ (773,106)</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, 2017**



**Districtwide Expenses by Function  
For the Year Ended June 30, 2017**



## **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 \$12,635,417, which represents a \$3,363,692 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, 2017 and 2016.

	<b>Fund Balance 2017</b>	<b>Restated Fund Balance 2016</b>	<b>Variance Increase (Decrease)</b>
General	\$ 12,418,031	\$ 9,104,656	\$ 3,313,375
School Lunch	116,641	80,092	36,549
Federal	15,000	362	14,638
Capital	21,189	22,189	(1,000)
Debt Service	64,556	64,426	130
Totals	<u>\$ 12,635,417</u>	<u>\$ 9,271,725</u>	<u>\$ 3,363,692</u>

**General Fund**

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

<b><u>Revenues:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Variance Increase (Decrease)</u></b>
Taxes and Other Tax Items	\$ 20,325,732	\$ 20,531,145	\$ (205,413)
Use of Money and Property	166,800	152,933	13,867
Charges for Services	1,856,315	1,847,416	8,899
State/Federal Sources	18,442,590	16,919,428	1,523,162
Other	697,287	580,157	117,130
Operating Transfers In	17,326	19,241	(1,915)
Totals	<u>\$ 41,506,050</u>	<u>\$ 40,050,320</u>	<u>\$ 1,455,730</u>

<b><u>Expenses:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Variance Increase (Decrease)</u></b>
General Support	\$ 3,871,528	\$ 3,867,017	\$ 4,511
Instruction	21,484,624	20,617,684	866,940
Pupil Transportation	933,317	938,484	(5,167)
Employee Benefits	9,001,374	8,959,690	41,684
Debt Service	2,819,933	2,628,767	191,166
Operating Transfers Out	81,899	80,847	1,052
Totals	<u>\$ 38,192,675</u>	<u>\$ 37,092,489</u>	<u>\$ 1,100,186</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 \$28,225. This amount represents the carryover of outstanding purchase orders (encumbrances) from the 2015/16 school year.

**CAPITAL ASSETS**

The District's capital assets (net of accumulated depreciation) as of June 30, 2017 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 999,223
Construction in Progress	203,561
Buildings and Improvements	27,315,641
Machinery and Equipment	<u>1,344,924</u>
Total	<u>\$29,863,349</u>

The total decrease in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$1,488,300. The most significant change to the capital assets is attributable to the expenditures from Smart School Act project less the depreciation expense.

**DEBT**

The District had debt outstanding including serial bonds and an energy performance contract in the amounts of \$17,504,266 as of June 30, 2017, an increase over the previous year of \$2,067,456. The debt outstanding for the year ended June 30, 2017 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$ 16,695,000
Energy Performance Contract	<u>809,266</u>
Totals	<u>\$ 17,504,266</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, 2017 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 unpredictability of what will be done (if anything) to adjust the current foundation aid formula, which is the largest category of state aid. After the Gap Elimination Adjustment (GEA) was restored, as part of the 2016-2017 State budget, the conversation shifted to the discussion of the foundation aid formula, during the 2017-2018 State budget negotiations process. However, no agreement regarding the calculation was reached. Currently, the district is funded at over one hundred percent of the foundation aid calculation, and as such, the District does not expect large annual increases to its foundation aid in future years.

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, 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 six 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%, which ultimately places the burden on the District to combat the misconceptions of the law. Furthermore, the inflation factor impacting the calculation has continued to hover below two percent, and has been extremely low for the last two budget cycles (2016-17 and 2017-18). 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."

In May of 2017, qualified voters of the district approved a capital project, and authorized the district to borrow up to \$17,550,000, to fund the project. The project will provide extensive upgrades to infrastructure districtwide, and expand the parking/bus loops at both Jackson Heights Elementary, and Kensington Road Elementary, to provide a safer environment for our students and parents. The district is committed to keeping this project "tax-neutral," and has assigned \$1,600,000 of fund balance, to ensure the project has no additional tax impact on the local community.

With the onset of the 2018-2019 budget development process, the district will review existing educational programs, and 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.

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 fiscal 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, 2017  
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**ASSETS**

Unrestricted cash	\$ 7,246,460	
Restricted cash	4,598,117	
Taxes receivable	595,395	
Other receivables, net	8,735	
State and federal aid receivable	1,933,559	
Due from other governments	1,208,997	
Due from fiduciary funds	499	
Prepaid expenditures	7,541	
Inventories	2,922	
Capital assets, net	29,863,349	
Total Assets		<u>\$ 45,465,574</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	\$ 10,747,082	
Total Deferred Outflows of Resources		<u>\$ 10,747,082</u>

**LIABILITIES**

**Current Liabilities:**

Accounts payable	\$ 409,286	
Accrued liabilities	71,350	
Due to other governments	504	
Due to teachers' retirement system	1,805,969	
Due to employees' retirement system	148,254	
Unearned revenue	5,189	

**Long-Term Liabilities:**

**Due and payable within one year**

Bonds payable	2,000,000	
Other debt payable	140,281	

**Due and payable after one year**

Bonds payable	14,695,000	
Other debt payable	668,985	
Compensated absences payable	544,497	
Other postemployment benefits payable	20,014,013	
Net pension liability - proportionate share	2,174,774	

Total Liabilities		<u>\$ 42,678,102</u>
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**DEFERRED INFLOWS OF RESOURCES**

Pensions	724,793	
Advanced refunding premium	793,997	

Total Deferred Inflows of Resources		<u>\$ 1,518,790</u>
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**NET POSITION**

Net Investment in Capital Assets	12,378,667	
Restricted	4,677,673	
Unrestricted (deficit)	(5,040,576)	
Total Net Position		<u>\$ 12,015,764</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, 2017

	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 3,804,818	\$ 1,125,675	\$ -	\$ -	\$ (4,930,493)
Instruction	21,809,364	10,614,260	1,856,315	1,442,323	(29,124,986)
Pupil transportation	997,618	491,634	-	64,301	(1,424,951)
Employee benefits	12,263,718	(12,263,718)	-	-	-
Debt service-interest	627,590	-	-	-	(627,590)
Depreciation	1,758,571	-	-	-	(1,758,571)
School lunch program	880,133	32,149	328,965	619,578	36,261
<b>Total Functions and Programs</b>	<b>\$ 42,141,812</b>	<b>\$ -</b>	<b>\$ 2,185,280</b>	<b>\$ 2,126,202</b>	<b>(37,830,330)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					17,928,643
Other tax items					2,436,657
Use of money and property					167,218
Sale of property and compensation for loss					2,128
Miscellaneous					695,159
State sources					18,455,611
Federal sources					189,540
<b>Total General Revenues</b>					<b>39,874,956</b>
<b>Change in Net Position</b>					<b>2,044,626</b>
<b>Total Net Position - Beginning of year, restated (See Note XII.)</b>					<b>9,971,138</b>
<b>Total Net Position - End of year</b>					<b>\$ 12,015,764</b>

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, 2017

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted cash	\$ 7,246,460	\$ -	\$ -	\$ 7,246,460
Restricted cash	4,598,117	-	-	4,598,117
Taxes receivable	595,395	-	-	595,395
Other receivables, net	8,735	-	-	8,735
Due from other funds	2,211,978	-	(2,211,978)	-
Due from fiduciary funds	-	-	499	499
Due from other governments	1,208,997	-	-	1,208,997
State and federal aid receivable	1,933,559	-	-	1,933,559
Prepaid expenditures	7,541	-	-	7,541
Inventories	2,922	-	-	2,922
Capital assets, (net)	-	29,863,349	-	29,863,349
<b>Total Assets</b>	<b>\$ 17,813,704</b>	<b>\$ 29,863,349</b>	<b>\$ (2,211,479)</b>	<b>\$ 45,465,574</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	\$ -	\$ 10,747,082	\$ -	\$ 10,747,082
<b>Total Deferred Outflows of Resources</b>	<b>\$ -</b>	<b>\$ 10,747,082</b>	<b>\$ -</b>	<b>\$ 10,747,082</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 409,286	\$ -	\$ -	\$ 409,286
Accrued liabilities	44,504	26,846	-	71,350
Bonds payable	-	16,695,000	-	16,695,000
Other debt payable	-	809,266	-	809,266
Due to other funds	2,211,479	-	(2,211,479)	-
Due to other governments	504	-	-	504
Due to teachers' retirement system	1,805,969	-	-	1,805,969
Due to employees' retirement system	148,254	-	-	148,254
Other postemployment benefits payable	-	20,014,013	-	20,014,013
Compensated absences	-	544,497	-	544,497
Unearned revenues	5,189	-	-	5,189
Net pension liability- proportionate share	-	2,174,774	-	2,174,774
<b>Total Liabilities</b>	<b>\$ 4,625,185</b>	<b>\$ 40,264,396</b>	<b>\$ (2,211,479)</b>	<b>\$ 42,678,102</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	\$ -	\$ 724,793	\$ -	\$ 724,793
Deferred taxes (city)	553,102	-	(553,102)	-
Advanced refunding premium	-	793,997	-	793,997
<b>Total Deferred Inflows of Resources</b>	<b>\$ 553,102</b>	<b>\$ 1,518,790</b>	<b>\$ (553,102)</b>	<b>\$ 1,518,790</b>
<b>FUND BALANCE\NET POSITION</b>				
<b>Total Fund Balance\Net Position</b>	<b>\$ 12,635,417</b>	<b>\$ (1,172,755)</b>	<b>\$ 553,102</b>	<b>\$ 12,015,764</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position</b>	<b>\$ 17,813,704</b>	<b>\$ 40,610,431</b>	<b>\$ (2,211,479)</b>	<b>\$ 56,212,656</b>

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, 2017  
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	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
<b>REVENUES</b>					
Real property taxes	\$ 17,889,075	\$ 39,568	\$ -	\$ -	\$ 17,928,643
Other tax items	2,436,657	-	-	-	2,436,657
Charges for services	1,856,315	-	-	-	1,856,315
Use of money and property	167,218	-	-	-	167,218
Sale of property and compensation for loss	2,128	-	-	-	2,128
Miscellaneous	699,210	-	-	-	699,210
State sources	18,814,454	-	-	-	18,814,454
Federal sources	1,956,899	-	-	-	1,956,899
Sales - school lunch	324,914	-	-	-	324,914
<b>Total Revenues</b>	<u>44,146,870</u>	<u>39,568</u>	<u>-</u>	<u>-</u>	<u>44,186,438</u>
<b>EXPENDITURES\EXPENSES</b>					
General support	3,871,528	-	(66,710)	-	3,804,818
Instruction	22,976,882	(1,167,518)	-	-	21,809,364
Pupil transportation	997,618	-	-	-	997,618
Employee benefits	9,033,523	3,230,195	-	-	12,263,718
Debt service-Principal	2,067,456	-	-	(2,067,456)	-
-Interest	752,477	(124,887)	-	-	627,590
Cost of sales	880,133	-	-	-	880,133
Capital outlay	203,561	-	(203,561)	-	-
Depreciation	-	-	1,758,571	-	1,758,571
<b>Total Expenditures</b>	<u>40,783,178</u>	<u>1,937,790</u>	<u>1,488,300</u>	<u>(2,067,456)</u>	<u>42,141,812</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>3,363,692</u>	<u>(1,898,222)</u>	<u>(1,488,300)</u>	<u>2,067,456</u>	<u>2,044,626</u>
<b>OTHER SOURCES AND USES</b>					
Operating transfers in	99,225	(99,225)	-	-	-
Operating transfers (out)	(99,225)	99,225	-	-	-
<b>Total Other Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change for the Year</b>	<u>\$ 3,363,692</u>	<u>\$ (1,898,222)</u>	<u>\$ (1,488,300)</u>	<u>\$ 2,067,456</u>	<u>\$ 2,044,626</u>

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

GLENS FALLS CITY SCHOOL DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUNDS  
June 30, 2017  
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	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Unrestricted cash	\$ 5,522,316	\$ 1,108,002	\$ 326,836	\$ -	\$ 289,306	\$ 7,246,460
Restricted cash	4,598,117	-	-	-	-	4,598,117
Taxes receivable, net	595,395	-	-	-	-	595,395
State and federal aid receivable	1,241,961	645,881	45,717	-	-	1,933,559
Due from other governments	1,208,997	-	-	-	-	1,208,997
Other receivables, net	8,735	-	-	-	-	8,735
Due from other funds	2,147,422	-	-	64,556	-	2,211,978
Prepaid expenditures	4,620	-	2,921	-	-	7,541
Inventories	-	-	2,922	-	-	2,922
<b>Total Assets</b>	<u>\$ 15,327,563</u>	<u>\$ 1,753,883</u>	<u>\$ 378,396</u>	<u>\$ 64,556</u>	<u>\$ 289,306</u>	<u>\$ 17,813,704</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 311,721	\$ 23,719	\$ 73,846	\$ -	\$ -	\$ 409,286
Accrued liabilities	44,504	-	-	-	-	44,504
Due to teachers' retirement system	1,805,969	-	-	-	-	1,805,969
Due to employees' retirement system	148,254	-	-	-	-	148,254
Due to other funds	45,982	1,715,164	182,216	-	268,117	2,211,479
Due to other governments	-	-	504	-	-	504
Unearned revenues	-	-	5,189	-	-	5,189
<b>Total Liabilities</b>	<u>2,356,430</u>	<u>1,738,883</u>	<u>261,755</u>	<u>-</u>	<u>268,117</u>	<u>4,625,185</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred taxes (city)	553,102	-	-	-	-	553,102
<b>Total Deferred Inflows of Resources</b>	<u>553,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>553,102</u>
<b>FUND BALANCES</b>						
Non-spendable	4,620	-	5,843	-	-	10,463
Restricted	4,598,117	15,000	-	64,556	-	4,677,673
Assigned	2,405,047	-	110,798	-	21,189	2,537,034
Unassigned	5,410,247	-	-	-	-	5,410,247
<b>Total Fund Balances</b>	<u>12,418,031</u>	<u>15,000</u>	<u>116,641</u>	<u>64,556</u>	<u>21,189</u>	<u>12,635,417</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 15,327,563</u>	<u>\$ 1,753,883</u>	<u>\$ 378,396</u>	<u>\$ 64,556</u>	<u>\$ 289,306</u>	<u>\$ 17,813,704</u>

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, 2017

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 17,889,075	\$ -	\$ -	\$ -	\$ -	\$ 17,889,075
Other tax items	2,436,657	-	-	-	-	2,436,657
Charges for services	1,856,315	-	-	-	-	1,856,315
Use of money and property	166,800	-	288	130	-	167,218
Sale of property and compensation for loss	2,128	-	-	-	-	2,128
Miscellaneous	695,159	-	4,051	-	-	699,210
State sources	18,253,050	339,660	19,183	-	202,561	18,814,454
Federal sources	189,540	1,166,964	600,395	-	-	1,956,899
Sales	-	-	324,914	-	-	324,914
<b>Total Revenues</b>	<b>41,488,724</b>	<b>1,506,624</b>	<b>948,831</b>	<b>130</b>	<b>202,561</b>	<b>44,146,870</b>
<b>EXPENDITURES</b>						
General support	3,871,528	-	-	-	-	3,871,528
Instruction	21,484,624	1,492,258	-	-	-	22,976,882
Pupil transportation	933,317	64,301	-	-	-	997,618
Employee benefits	9,001,374	-	32,149	-	-	9,033,523
Debt service						
Principal	2,067,456	-	-	-	-	2,067,456
Interest	752,477	-	-	-	-	752,477
Cost of sales	-	-	880,133	-	-	880,133
Capital outlay	-	-	-	-	203,561	203,561
<b>Total Expenditures</b>	<b>38,110,776</b>	<b>1,556,559</b>	<b>912,282</b>	<b>-</b>	<b>203,561</b>	<b>40,783,178</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,377,948</b>	<b>(49,935)</b>	<b>36,549</b>	<b>130</b>	<b>(1,000)</b>	<b>3,363,692</b>
<b>OTHER SOURCES AND USES</b>						
Operating transfers in	17,326	81,899	-	-	-	99,225
Operating transfers (out)	(81,899)	(17,326)	-	-	-	(99,225)
<b>Total Other Sources (Uses)</b>	<b>(64,573)</b>	<b>64,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>3,313,375</b>	<b>14,638</b>	<b>36,549</b>	<b>130</b>	<b>(1,000)</b>	<b>3,363,692</b>
<b>Fund Equity - Beginning of year, restated</b>	<b>9,104,656</b>	<b>362</b>	<b>80,092</b>	<b>64,426</b>	<b>22,189</b>	<b>9,271,725</b>
<b>Fund Equity - End of year</b>	<b>\$ 12,418,031</b>	<b>\$ 15,000</b>	<b>\$ 116,641</b>	<b>\$ 64,556</b>	<b>\$ 21,189</b>	<b>\$ 12,635,417</b>

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

GLENS FALLS CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

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	Private Purpose Trusts	Agency
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 110,717	\$ 438,992
Investments	<u>279,307</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 390,024</u></u>	<u><u>\$ 438,992</u></u>
 <b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ 499
Extraclassroom activity balances	-	32,015
Other liabilities	<u>-</u>	<u>406,478</u>
<b>Total Liabilities</b>	<u>-</u>	<u><u>\$ 438,992</u></u>
 <b>NET POSITION</b>		
Reserved for scholarships	<u><u>\$ 390,024</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, 2017  
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	Private Purpose Trusts
<b>ADDITIONS</b>	
Contributions	\$ 17,170
Interest	5,662
Net realized/unrealized gains	<u>24,001</u>
<b>Total Additions</b>	<u>46,833</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>3,424</u>
 <b>Change in Net Position</b>	 43,409
<b>Net Position - Beginning of year</b>	<u>346,615</u>
<b>Net Position- End of year</b>	<u><u>\$ 390,024</u></u>

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

# GLENS FALLS CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 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)

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**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, 2017, the Glens Falls City School District was billed \$4,607,380 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,211,037. 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)

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**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 Net Position presents the financial position of the District at fiscal year end. 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)

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**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)

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**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)

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**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 August 8. Taxes are collected during the period September 19 to October 20.

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)

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**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 inventorable 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 districtwide 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)

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

**L. Other Assets/Restricted Assets (Continued)**

In the districtwide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

**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)

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**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 districtwide 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)

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### 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. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the 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 District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

# GLENS FALLS CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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 notes 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)

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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 \$2,922, prepaid expenses in the General Fund of \$4,620 and prepaid expenses in the School Lunch Fund of \$2,921.

**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)

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**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.

**6. Employee Benefit Accrued Liability**

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance includes the following:

General Fund:	
Employee Retirement Contributions	\$ 2,933,074
Tax Certiorari	246,905
Capital	200,326
Workers' Compensation	673,315
Employee Benefit Accrued Liability	544,497
Debt Service Fund	64,556
Special Aid Fund	15,000
Total restricted funds	<u>\$ 4,677,673</u>

**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, 2017.

**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 \$30,785 and the assigned fund balance amounted to \$2,374,262.

**Unassigned** – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from over spending for specific purposes for which amounts had been restricted or assigned.

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.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**2. Fund Statements (Continued)**

**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.

**V. New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standard issued by GASB:

GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued Statement 82, *Pension Issues*, effective for June 30, 2017.

**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.

GASB Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2019.

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.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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.

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.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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):

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.

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	\$64,872,265
Accumulated depreciation	<u>35,008,916</u>
Capital assets, net	<u>\$29,863,349</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>\$ 16,695,000</u>
Other debt	<u>\$ 809,266</u>
Compensated absences payable	<u>\$ 544,497</u>
OPEB obligations	<u>\$ 20,014,013</u>
Net Pension Liability-Proportionate Share	<u>\$ 2,174,774</u>



GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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 \$1,758,571 was more than capital expenditures of \$270,271 in the current year.

Repayment of bond principal of \$2,067,456 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 \$124,887.

**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)

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**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, 2017 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 2,147,422	\$ 45,982	\$ 17,326	\$ 81,899
Special Aid Fund	-	1,715,164	81,899	17,326
School Lunch Fund	-	182,216	-	-
Capital Fund	-	268,117	-	-
Debt Service Fund	64,556	-	-	-
Total governmental activities	<u>2,211,978</u>	<u>2,211,479</u>	<u>\$ 99,225</u>	<u>\$ 99,225</u>
Fiduciary Agency Fund	<u>-</u>	<u>499</u>		
Totals	<u>\$ 2,211,978</u>	<u>\$ 2,211,978</u>		

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)

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**V. Capital Assets**

A summary of changes in general fixed assets follows:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
<u>Capital assets-not depreciated:</u>				
Land	\$ 999,223	\$ -	\$ -	\$ 999,223
Construction in progress	-	203,561	-	203,561
Total capital assets-not depreciated:	999,223	203,561	-	1,202,784
<u>Other capital assets:</u>				
Buildings and improvements	58,518,085	-	-	58,518,085
Equipment and vehicles	5,084,686	66,710	-	5,151,396
Total other capital assets:	63,602,771	66,710	-	63,669,481
<u>Less accumulated depreciation:</u>				
Buildings and improvements	29,646,585	1,555,859	-	31,202,444
Equipment and vehicles	3,603,760	202,712	-	3,806,472
Total accumulated depreciation	33,250,345	1,758,571	-	35,008,916
Other capital assets, net	30,352,426	(1,691,861)	-	28,660,565
Total	\$ 31,351,649	\$ (1,488,300)	\$ -	\$ 29,863,349

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

## GLENS FALLS CITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

# GLENS FALLS CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### VI. Pension Plans (Continued)

#### Funding Policies:

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>
2017	\$489,758	\$1,959,589
2016	\$508,255	\$2,426,797
2015	\$715,221	\$2,436,076

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

At June 30, 2017, 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, 2017 for ERS and June 30, 2016 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>	<u>TRS</u>
Actuarial valuation date	31-Mar-17	30-Jun-16
Net pension liability	\$1,178,658	\$996,116
District's portion of the Plan's total net pension liability	.0125440%	.093004%
Change in proportion since the prior measurement date	.0003083%	.002489%

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

For the year ended June 30, 2017, the District's recognized pension expense of \$653,295 for ERS and \$1,659,451 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource</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	\$29,536	\$0	\$178,986	\$323,594
Changes of assumptions	402,673	5,674,508	0	0
Net difference between projected and actual earnings on pension plan investments	235,426	2,239,792	0	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	4,971	259,873	76,116	146,097
District's contributions subsequent to the measurement date	148,254	1,752,049	0	0
Total	<u>\$820,860</u>	<u>\$9,926,222</u>	<u>\$255,102</u>	<u>\$469,691</u>

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2017	\$ -	\$ 704,601
2018	\$201,229	704,601
2019	\$201,229	2,444,085
2020	\$176,952	1,902,881
2021	(\$161,908)	879,094
Thereafter	\$0	\$ 1,069,221

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary scale	3.80%	1.90-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on 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, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2014.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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, 2017	<u>TRS</u> June 30, 2016
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equity	36%	37%
International Equity	14%	18%
Private Equity	10%	7%
Real Estate	10%	10%
Alternative Investments	0%	0%
Domestic fixed income securities	0%	17%
Global fixed income securities	0%	2%
Bonds and Mortgages	17%	8%
Short-term	0%	1%
Absolute return strategies	2%	0%
Opportunistic portfolio	3%	0%
Real Assets	3%	0%
Cash Equivalents	1%	0%
Inflation-Indexed bonds	4%	0%

**5. Discount Rate**

The discount rate used to calculate the total pension liability was 7.0 % for ERS and 7.5 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



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 7.5% 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% or ERS and 6.5% for TRS ) or 1-percentage point higher (8.0% for ERS and 8.5% 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	\$3,784,400	\$1,178,658	(\$1,007,582)
TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share Of the net pension (asset) liability	\$12,996,592	\$996,116	(\$9,069,255)

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
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan Fiduciary Net Position	(168,004,363)	107,506,142
Employers' net pension liability	9,396,223	1,071,041,940
Ration of plan fiduciary net position to the Employers' total pension liability	94.7000%	99.0100%

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$148,254.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$1,805,969.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**VII. Long-Term Debt Obligations**

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

**1. Long-Term Debt Interest**

Interest paid	\$752,477
Less interest accrued in the prior year	(38,305)
Plus interest accrued in the current year	26,846
Amortization of refunding premium	<u>(113,428)</u>
Total expense	<u>\$627,590</u>

**2. Changes**

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017	Due Within One Year
Serial Bonds	\$ 18,625,000	\$ -	\$ 1,930,000	\$ 16,695,000	\$ 2,000,000
Other debt	946,722	-	137,456	809,266	\$ 140,281
Compensated Absences	1,712,015	-	1,167,518	544,497	
OPEB Obligations	16,938,742	3,075,271	-	20,014,013	
Net Pension Liability- Proportionate Share	-	2,174,774	-	2,174,774	
Totals	<u>\$ 38,222,479</u>	<u>\$ 5,250,045</u>	<u>\$ 3,234,974</u>	<u>\$ 40,237,550</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)

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**VII. 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 6/30/2017
<b>Bonds:</b>				
Advanced refunding	2012	2024	2.5-5%	\$ 3,510,000
Advanced refunding	2015	2023	2-5%	6,755,000
Bus Bond	2015	2020	1-2%	185,000
Construction	2016	2031	2-5%	6,245,000
				<u>\$ 16,695,000</u>
<b>Other:</b>				
Energy Performance	2007	2022	2.04%	<u>\$ 809,266</u>

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

	Year	Principal	Interest	Total
Serial Bonds:	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	2,105,000	343,025	2,448,025
	2023 and thereafter	6,485,000	931,025	7,416,025
	Total	<u>\$ 16,695,000</u>	<u>\$ 3,321,239</u>	<u>\$ 20,016,239</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.

**VIII. 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, 2017 was \$809,266. 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, 2017.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**VIII. Other Debt (Continued)**

Year Ending June 30,	General Long-Term Debt
2018	\$ 155,698
2019	155,698
2020	155,698
2021	155,698
2022	155,698
2023 -thereafter	79,015
Minimum Lease Payments - Capital Leases	857,505
Less: Amount representing interest of 2.04%	48,239
Present Value-Minimum Lease Payments	<u>\$ 809,266</u>

**IX. 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, 2017, the District recognized \$950,570 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2016 which indicates that the total liability for other postemployment benefits is \$20,014,013, 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)

**IX. 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	\$ 4,391,642
Interest on net OPEB obligation	652,142
Adjustment to annual required contribution	(1,017,943)
Annual OPEB cost (expense)	4,025,841
Contributions made	950,570
Increase in net OPEB obligation	3,075,271
Net OPEB obligation-beginning of year	16,938,742
Net OPEB obligation-end of year	<u>\$ 20,014,013</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>
6/30/2015	\$3,551,941	21.4%	\$13,839,022
6/30/2016	\$3,935,832	21.2%	\$16,938,742
6/30/2017	\$4,025,841	23.6%	\$20,014,013

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$40,507,707, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$40,507,707. 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)

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### **IX. 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, 2016 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 2.85% 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 8% initially, decreased by increments to an ultimate rate of 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, 2017, was 21 years.

### **X. 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)

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**X. 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, 2017, \$186,779 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)

**XI. Tax Abatements**

The Counties enter into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced \$274,985 .  
The District received payments in Lieu of Tax (PILOT) payment totaling \$151,401.

**XII. Other Disclosures**

**A. Prior Period Adjustment**

The reconciliation of restated amounts to the June 30, 2016 year end balance is:

	<u>Net Position</u>	<u>General Fund</u>
Beginning net position and fund balance	\$9,968,376	\$9,101,894

The following adjustment is necessary to determine the revised beginning Net Position for the Statement of Activities and the fund balance for the General Fund:

General Fund-Encumbrance adjustment	<u>2,762</u>	<u>2,762</u>
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Beginning net position reported on Statement of Activities, for governmental activities and beginning General Fund fund balance reported on Statement of Revenue, Expenditures and Changes in Fund Balance for governmental funds, July 1, 2016

<u>\$9,971,138</u>	<u>\$9,104,656</u>
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**B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**

Total governmental fund balance	\$ 12,635,417
Capital assets (net)	29,863,349
Deferred outflows of resources	10,747,082
Bonds payable	(16,695,000)
Other debt payable	(809,266)
Accrued interest payable	(26,846)
Net pension liability- proportionate share	(2,174,774)
Deferred inflows of resources	(1,518,790)
Compensated absences	(544,497)
OPEB obligations	(20,014,013)
Deferred taxes	553,102
Total net position	<u>\$ 12,015,764</u>

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**XII. Other Disclosures (Continued)**

**C. 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, 2017 was approximately \$8,076. The future operating lease payments are as follows:

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

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**XII. Other Disclosures (Continued)**

**D. 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	\$3,363,692
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	270,271
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(1,758,571)
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	2,067,456
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 2016/17 results in less expense.	124,887
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities	39,568
(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	10,209
Employee's Retirement System	(165,133)
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	(3,075,271)
Compensated absences	<u>1,167,518</u>
Change in Net Position – Governmental Activities	<u>\$2,044,626</u>

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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.

**2. Budgets**

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

GLENS FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XIII. Stewardship, Compliance and Accountability (Continued)**

**A. Budgetary Procedures and Budgetary Accounting (Continued)**

**2. Budgets (Continued)**

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

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, 2017, indicate that the unassigned fund balance is in excess of the legal limit.

**XIV. Subsequent Events**

There were no significant subsequent events to report from the period of July 1, 2017 to September 19, 2017.

GLENS FALLS CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND  
For Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources				
Real property tax items	\$ 20,151,883	\$ 20,151,883	\$ 17,889,075	\$ (2,262,808)
Other tax items	238,807	238,807	2,436,657	2,197,850
Charges for services	1,645,500	1,645,500	1,856,315	210,815
Use of money and property	156,000	156,000	166,800	10,800
Sale of property and compensation for loss	-	-	2,128	2,128
Miscellaneous	395,000	395,000	695,159	300,159
<b>Total Local Sources</b>	<u>22,587,190</u>	<u>22,587,190</u>	<u>23,046,134</u>	<u>458,944</u>
State sources	18,765,692	18,765,692	18,253,050	(512,642)
Federal sources	70,000	70,000	189,540	119,540
<b>Total Revenues</b>	<u>41,422,882</u>	<u>41,422,882</u>	<u>41,488,724</u>	<u>65,842</u>
<b>Other Financing Sources</b>				
Operating transfers in	-	-	17,326	17,326
<b>Total Revenue and Other Financing Sources</b>	<u>41,422,882</u>	<u>41,422,882</u>	<u>41,506,050</u>	<u>\$ 83,168</u>
<b>Appropriated Reserves</b>	-	28,225		
<b>Appropriated Fund Balance</b>	<u>-</u>	<u>-</u>		
<b>Total Revenues, Other Financing Sources, Appropriated Reserves and Fund Balance</b>	<u>\$ 41,422,882</u>	<u>\$ 41,451,107</u>		

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, 2017  
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	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 48,200	\$ 49,312	\$ 38,266	\$ -	\$ 11,046
Central administration	221,525	243,128	240,114	-	3,014
Finance	418,510	461,434	433,614	388	27,432
Staff	177,875	132,132	114,261	-	17,871
Central services	2,900,803	3,113,182	2,619,750	9,143	484,289
Special items	493,721	514,808	425,523	-	89,285
<b>Total General Support</b>	<b>4,260,634</b>	<b>4,513,996</b>	<b>3,871,528</b>	<b>9,531</b>	<b>632,937</b>
Instructional					
Instruction, administration and improvement	1,393,738	1,394,323	1,299,808	690	93,825
Teaching - regular school	10,874,001	10,994,166	10,359,517	20,564	614,085
Programs for children with handicapping conditions	5,540,406	5,795,208	5,767,603	-	27,605
Occupational education	870,000	720,805	656,430	-	64,375
Teaching - special school	600	219,020	219,020	-	-
Instructional media	1,522,954	1,582,294	1,126,651	-	455,643
Pupil services	2,317,101	2,320,866	2,055,595	-	265,271
<b>Total Instructional</b>	<b>22,518,800</b>	<b>23,026,682</b>	<b>21,484,624</b>	<b>21,254</b>	<b>1,520,804</b>
Pupil Transportation	1,292,416	1,427,278	933,317	-	493,961
Employee Benefits	10,335,000	9,467,119	9,001,374	-	465,745
Debt Service					
Principal	2,152,456	2,152,456	2,067,456	-	85,000
Interest	763,576	763,576	752,477	-	11,099
<b>Total Expenditures</b>	<b>41,322,882</b>	<b>41,351,107</b>	<b>38,110,776</b>	<b>30,785</b>	<b>3,209,546</b>
<b>OTHER FINANCING USES</b>					
Operating transfers out	100,000	100,000	81,899	-	18,101
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 41,422,882</b>	<b>\$ 41,451,107</b>	<b>38,192,675</b>	<b>\$ 30,785</b>	<b>\$ 3,227,647</b>
<b>Net change in fund balance</b>			<b>3,313,375</b>		
<b>Fund balance- Beginning, restated</b>			<b>9,104,656</b>		
<b>Fund balance- Ending</b>			<b>\$ 12,418,031</b>		

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, 2017  
-----

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, 2016	\$ -	\$ 40,507,707	\$ 40,507,707	0%	N/A	N/A
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

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, 2017  
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	<u>Teachers' Retirement System</u>	
	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension asset/liability	.093004%	.0905150%
District's proportionate share of the net pension (asset)/liability	\$ 996,116	\$ (9,401,630)
District's covered-employee payroll	\$ 14,949,223	\$14,546,122
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	6.70%	64.63%
Plan fiduciary net position as a percentage of the total pension asset/liability	99.01%	110.46%
	<u>Employees' Retirement System</u>	
	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension liability	.0125440%	.0128523%
District's proportionate share of the net pension liability	\$ 1,178,658	\$ 2,062,832
District's covered-employee payroll	\$ 3,772,195	\$ 3,540,909
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.20%	58.26%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%

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

GLENS FALLS CITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
June 30, 2017  
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	<u>Teachers' Retirement System</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,805,969	\$ 1,985,781	\$ 2,426,797
Contributions in relation to the contractually required contribution	<u>1,805,969</u>	<u>1,985,781</u>	<u>2,426,797</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 14,949,223</u>	<u>\$ 14,546,122</u>	<u>\$ 13,793,330</u>
Contributions as a percentage of covered employee payroll	12.1%	13.6%	17.6%

	<u>Employees' Retirement System</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 489,758	\$ 508,255	\$ 715,221
Contributions in relation to the contractually required contribution	<u>489,758</u>	<u>508,255</u>	<u>715,221</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 3,772,195</u>	<u>\$ 3,540,909</u>	<u>\$ 3,579,767</u>
Contributions as a percentage of covered employee payroll	12.98%	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, 2017  
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**CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET**

<b>Original Budget</b>	\$ 41,422,882
<b>Additions:</b>	
Prior year's encumbrances	<u>28,225</u>
<b>Final Budget</b>	<u><u>\$ 41,451,107</u></u>

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

2017-18 Voter-approved Expenditure Budget	\$ 43,050,269
Maximum allowed (4% of 2017-2018 Budget)	<u>\$ 1,722,011</u>

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	2,405,047
Unassigned fund balance	<u>5,410,247</u>
Total unrestricted fund balance	<u>\$ 7,815,294</u>

Less:

Appropriated fund balance	2,374,262
Encumbrances included in committed and assigned fund balance	<u>30,785</u>
Total adjustments	<u>\$ 2,405,047</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 5,410,247</u></u>
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Actual percentage	12.57%
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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, 2017  
-----

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2017
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Reconstruction	\$ 10,000,000	\$ 10,000,000	\$ 9,981,427	\$ -	\$ 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
Smart Schools Act	203,561	203,561	-	203,561	203,561	-	-	202,561	-	202,561	(1,000)
	<u>\$ 10,548,561</u>	<u>\$ 10,537,851</u>	<u>\$ 10,305,706</u>	<u>\$ 203,561</u>	<u>\$ 10,509,267</u>	<u>\$ 28,584</u>	<u>\$ 6,785,000</u>	<u>\$ 202,561</u>	<u>\$3,542,895</u>	<u>\$10,530,456</u>	<u>\$ 21,189</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, 2017  
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Capital assets, net		\$ 29,863,349
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Deduct:

Short-term capital lease payable	\$ 140,281	
Long-term capital lease payable	668,985	
Short-term portion of bonds payable	2,000,000	
Long-term portion of bonds payable	14,695,000	
less: unspent portion of bonds	<u>(19,584)</u>	<u>17,484,682</u>

Net investment in capital assets		<u><u>\$ 12,378,667</u></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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Claverack, New York 12513

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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, 2017, 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 19, 2017.

**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 that reads "Raymond Sheussen CPA PE". The signature is written in a cursive, flowing style.

Claverack, New York  
September 19, 2017

**RAYMOND G. PREUSSER, CPA, P.C.**

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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, 2017, 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 19, 2017 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:

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 \$1,897,879 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

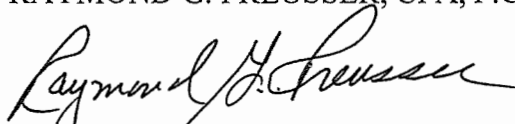
Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2017, indicate that the unassigned fund balance is in excess of the legal limit by \$3,688,236.

We recommend that the District formulate a plan to control the excess in fund balance. This plan could include more scrutiny in budget preparation, as only 92% of the 2016-17 budget was utilized. In addition, the District must also prepare a Reserve Plan, which is law as of July 1, 2017. This plan will clarify the District's philosophy on reserves and better set forth the usage of reserves.

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

September 29, 2017

### CORRECTIVE ACTION PLAN

The following is a response to the District's external auditor's letter regarding the financial statements of the Glens Falls City School District as of June 30, 2017.

#### **1. Fixed Assets:**

**Finding:** We noted that the District had not recently performed a physical inspection of their asset inventory to determine that all assets are intact.

**Recommendation:** 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.

**Response:** Recently (effective July 1, 2017), the district switched insurance companies, to New York Schools Insurance Reciprocal (NYSIR). As part of their service offerings to new clients, NYSIR contracts with CBIZ Valuation Group, LLC, to conduct a paid valuation for; (1) a physical valuation of district buildings and contents; (2) NYSIR-compliant valuation reports (beneficial to properly insure district assets); and, (3) GASB-34 property cost accounting reports (beneficial to properly capitalize/depreciate for audit purposes). CBIZ Valuation Group, LLC, conducted the physical valuation of fixed assets during August 2017, and the District expect to receive the detailed fixed asset inventory report by December 31, 2017.

#### **2. Interfund Transactions:**

**Finding:** 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 \$1,897,879 with funds to repay a portion or all of the advances.

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

**Response:** The District will establish procedures to regularly review interfund transfers/receivables on a monthly basis.

#### **3. Fund Balance:**

**Finding:** 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, 2017, indicate that the unassigned fund balance is in excess of the legal limit by \$3,688,236.

**Recommendation:** We recommend that the District formulate a plan to control the excess in fund balance. This plan could include more scrutiny in budget preparation, as only 92% of the 2016-17 budget was utilized. In addition, the District must also prepare a Reserve Plan, which is law as of July 1, 2017.

**Response:** The District is acutely aware of the unassigned fund balance, in excess of the 4% limitation, and is firmly committed to control this excess. The District did develop a formal Reserve Plan, which was reviewed on June 12, 2017 Board of Education meeting; however, no formal action was taken to adopt the plan. The District will formally adopt the Reserve Plan, and review the Plan, on at least an annual basis.