

HORSEHEADS CENTRAL SCHOOL DISTRICT

NEW YORK

***COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT***

For Year Ended June 30, 2017

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

September 8, 2017

To the Board of Education
Horseheads Central School District, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York 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 Horseheads Central School District, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 material weaknesses. 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.

Current Year Deficiencies in Internal Control:

Payroll –

During the course of our examination of payroll, there were three instances in which food service employees were being paid the incorrect rate when they were temporarily filling in for a higher classification.

We recommend the District review this item to ensure the correct rates are being paid when employees fill in for a higher classification as specified in the contract.

(Current Year Deficiencies in Internal Control) (Continued)

Offsite Cash Collections –

During our examination of offsite cash collections, we noted the original source documentation for the open swim is not maintained and turned into the business office with the deposits.

We recommend the District develop written procedures relating to all offsite cash collections which details the specific process to be followed and what original documentation that should be maintained with the deposits.

Summer School 4408 Program –

The New York State Education Department now provides the new EFH670 summary of 4408/4201 STAC approval and verified cost and state aid payments, twice a year. This document should be reviewed to ensure the services provided are properly STAC'ed and the District's local share can be more easily calculated.

We recommend an individual independent of the STAC submission process review this document on a semi-annual basis.

Prior Year Recommendations:

We are pleased to report the following prior year recommendations have been implemented to our satisfaction:

1. The District did not exceed the 4% maximum unassigned fund balance as required by Section 1318 of the real property tax law.
2. The school lunch program did not have an operating loss, and actual revenues and expenses were more in line with the estimated budget.

This communication is intended solely for the information and use of management, the Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*

*

*

We wish to express our appreciation to the business office staff for all the courtesies extended to us during the course of our examination.

September 8, 2017

Raymond F. Waga CPA, P.C.

HORSEHEADS CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2017

TABLE OF CONTENTS

	Pages
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 13
Basic Financial Statements:	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	18
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	19
Notes to the Basic Financial Statements:	20 - 44
Required Supplementary Information:	
Schedule of Funding Progress of Postemployment Benefit Plan (Unaudited)	45
Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)	46
Schedule of District Contributions (Unaudited)	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund (Unaudited)	48 - 49
Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget and Real Property Tax Limit - General Fund	50
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	51
Combined Balance Sheet - Nonmajor Governmental Funds	52
Combined Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	53
Net Investment in Capital Assets	54
Schedule of Expenditures of Federal Awards	55
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	56 - 57

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Horseheads Central School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York, 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 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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, schedule of funding progress postemployment benefit plan, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 45–49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Horseheads Central School District, New York's basic financial statements. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017 on our consideration of the Horseheads Central School District, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Horseheads Central School District, New York's internal control over financial reporting and compliance.

September 8, 2017

Raymond F. Wager CPA, P.C.

Horseheads Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2017. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

At the close of the fiscal year, the total liabilities (what the district owes) exceeded its total assets (what the district owns) by (\$5,341,012) (net position) a decrease of \$6,780,579 from the prior year.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$32,122,581, a decrease of \$1,966,255 in comparison with the prior year.

General revenues which include Real Property Taxes, State and Federal Aid, Investment Earnings, Compensation for Loss, and Miscellaneous accounted for \$70,980,123 or 92% of all revenues. Program specific revenues in the form of Charges for services, Operating Grants and Contributions, and Capital Grants and Contributions accounted for \$6,018,556 or 8% of total revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

The *statement of activities* presents information showing how the government'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.

The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School District maintains six individual governmental funds; General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund, Miscellaneous Special Revenue Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the special aid fund, and the capital projects funds which are reported as major funds. Data for the school lunch fund, the debt service fund, and the miscellaneous special revenue fund are aggregated into a single column reported as non-major funds.

The School District adopts and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

Major Feature of the District-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of this report.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District As A Whole

Net Position

The District's combined net position were smaller on June 30, 2017, than they were the year before, decreasing to (\$5,341,012) as shown in table below.

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2017</u>	<u>2016</u>	
<u>ASSETS:</u>			
Current and Other Assets	\$ 38,104,809	\$ 54,687,941	-30.32%
Capital Assets	49,582,511	45,628,309	8.67%
Total Assets	<u>\$ 87,687,320</u>	<u>\$ 100,316,250</u>	-12.59%
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	<u>\$ 17,866,079</u>	<u>\$ 6,786,602</u>	163.26%
<u>LIABILITIES:</u>			
Long-Term Obligations	\$ 103,819,345	\$ 94,797,539	9.52%
Other Liabilities	5,786,885	5,252,233	10.18%
Total Liabilities	<u>\$ 109,606,230</u>	<u>\$ 100,049,772</u>	9.55%
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	<u>\$ 1,288,181</u>	<u>\$ 5,613,513</u>	-77.05%
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 38,649,524	\$ 33,780,994	14.41%
<u>Restricted For,</u>			
Debt Service	3,852,144	3,802,660	1.30%
Reserve for ERS	6,741,222	4,211,825	60.05%
Capital Reserves	11,007,538	10,000,532	100.00%
Other Purposes	2,605,721	3,289,480	-20.79%
Unrestricted	(68,197,161)	(53,645,924)	27.12%
Total Net Position	<u>\$ (5,341,012)</u>	<u>\$ 1,439,567</u>	-471.02%

The District's financial position is the product of many factors.

By far, the largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

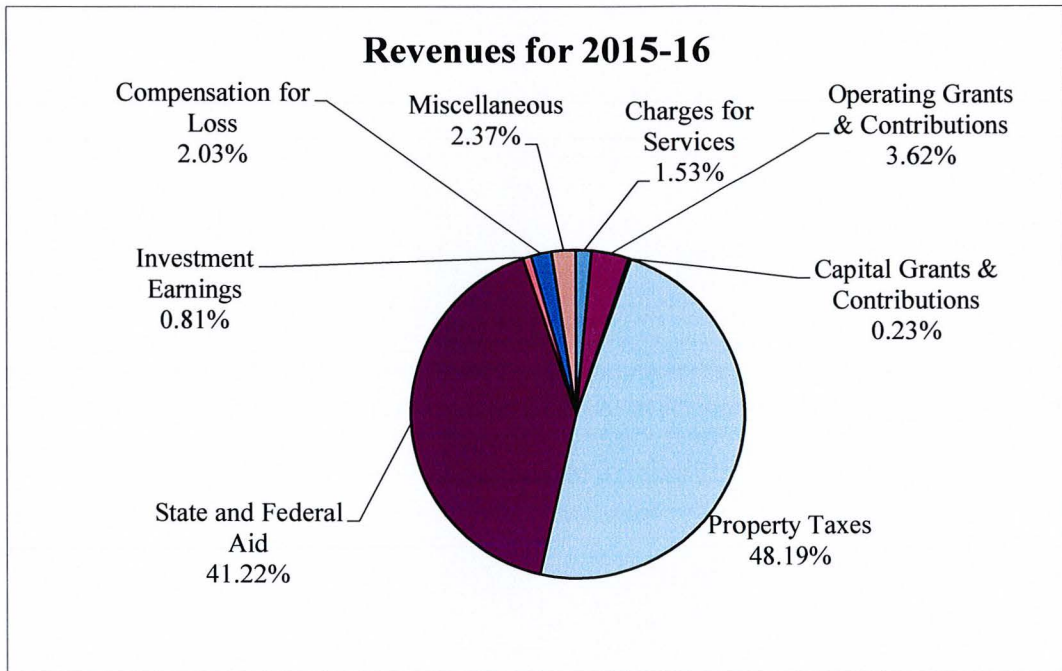
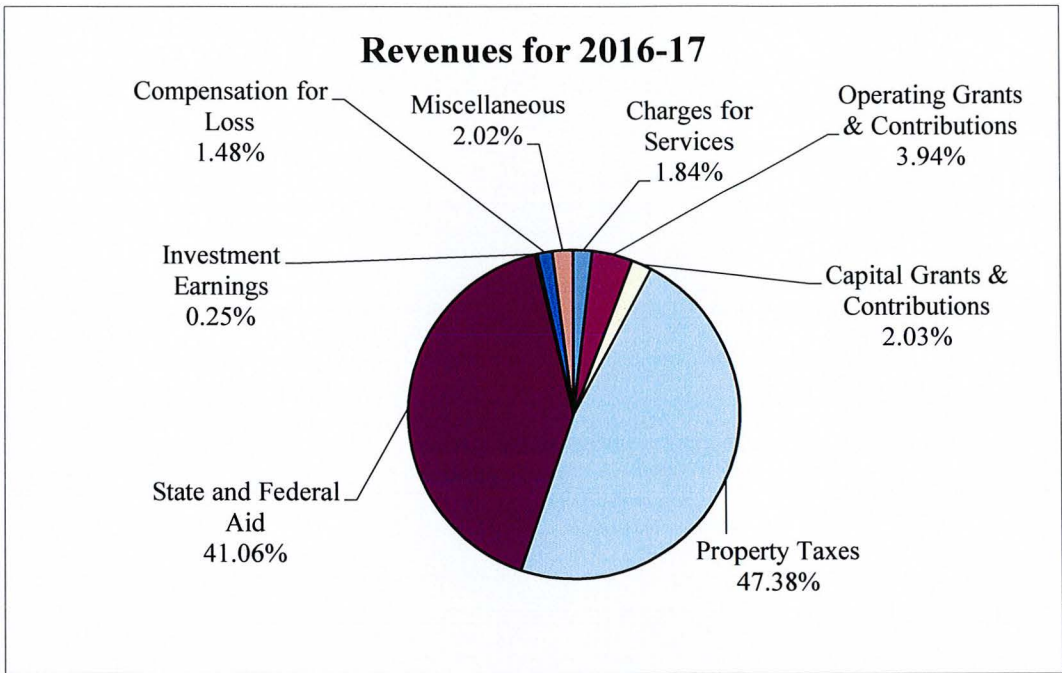
There are four restricted net asset balances, Capital Reserves, Debt Service, Reserve for ERS, and Other Purpose.

Changes in Net Asset

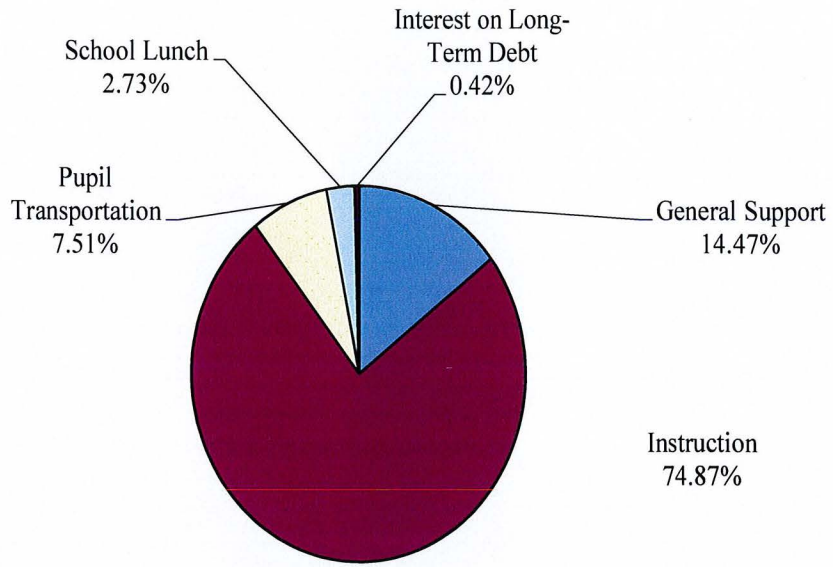
The District's total revenue increased 2% to \$76,998,679. State and federal aid 41% and property taxes 48% accounted for most of the District's revenue. The remaining 11% of the revenue comes from operating grants, capital grants, charges for services, investment earnings, compensation for loss, and miscellaneous revenues.

The total cost of all the programs and services increased 11% to \$83,779,258. The District's expenses are predominately related to education and caring for the students 75%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 14% of the total costs. See table below:

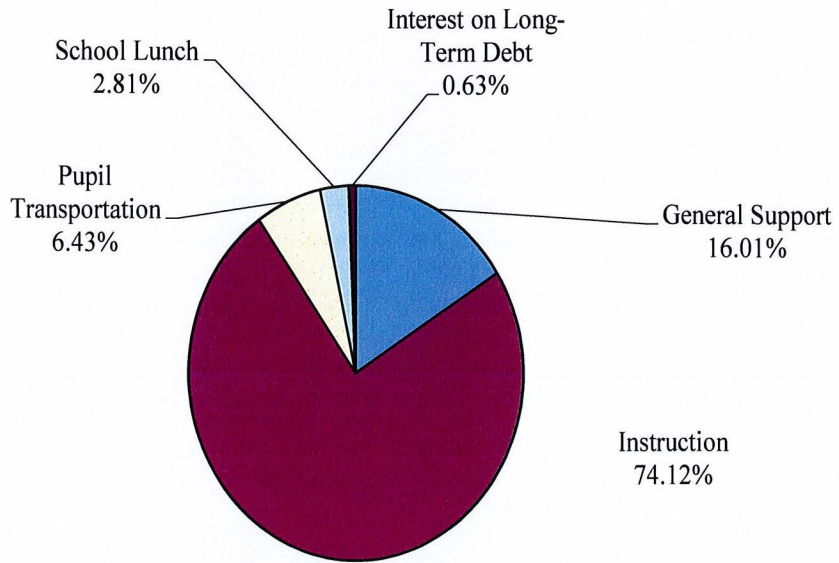
	<u>Governmental Activities</u>		Total Percentage Change
	<u>2017</u>	<u>2016</u>	
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 1,418,938	\$ 1,155,066	22.84%
Operating Grants & Contributions	3,036,076	2,735,601	10.98%
Capital Grants & Contributions	1,563,542	173,931	-100.00%
Total Program	<u>\$ 6,018,556</u>	<u>\$ 4,064,598</u>	<u>48.07%</u>
<u>General -</u>			
Property Taxes	\$ 36,480,912	\$ 36,372,925	0.30%
State and Federal Aid	31,617,515	31,108,460	1.64%
Investment Earnings	194,504	608,610	-68.04%
Compensation for Loss	1,136,235	1,526,455	-25.56%
Miscellaneous	1,550,957	1,791,332	-13.42%
Total General	<u>\$ 70,980,123</u>	<u>\$ 71,407,782</u>	<u>-0.60%</u>
TOTAL REVENUES	<u>\$ 76,998,679</u>	<u>\$ 75,472,380</u>	<u>2.02%</u>
<u>Special Items -</u>			
Advance Refunding	\$ -	\$ (330,000)	100.00%
<u>EXPENSES:</u>			
General Support	\$ 12,122,056	\$ 12,037,372	0.70%
Instruction	62,724,704	55,720,321	12.57%
Pupil Transportation	6,293,501	4,835,984	30.14%
School Lunch	2,285,278	2,109,467	8.33%
Interest on Long-Term Debt	353,719	473,816	-25.35%
TOTAL EXPENSES	<u>\$ 83,779,258</u>	<u>\$ 75,176,960</u>	<u>11.44%</u>
INCREASE IN NET POSITION	<u>\$ (6,780,579)</u>	<u>\$ (34,580)</u>	<u>19508.38%</u>



Expenditures for 2016-17



Expenditures for 2015-16



Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$32,122,581 which is less than last year's ending fund balance of \$34,088,836.

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$25,913,975. Fund balance for the General Fund increased by \$258,143 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Nonspendable	\$ 416	\$ 2,311	\$ (1,895)
Restricted	20,354,481	17,460,060	2,894,421
Committed	-	2,683,377	(2,683,377)
Assigned	2,559,334	2,560,600	(1,266)
Unassigned	2,999,744	2,949,484	50,260
Total General Fund Balances	<u>\$ 25,913,975</u>	<u>\$ 25,655,832</u>	<u>\$ 258,143</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$718,956. This change is attributable to \$60,600 of carryover encumbrances from the 2015-16 school year, \$103,225 for tax certiorari settlements, \$545,786 for retirement incentives, and \$9,345 for donations.

The key factors for budget variances in the general fund are listed below along with explanations for each.

<u>Expenditure Items:</u>	<u>Budget Variance Original Vs. Amended</u>	<u>Explanation for Budget Variance</u>
Pupil Transportation	\$430,045	Added position, paid retirement incentives, reclassified expenses appropriately chargeable to transportation expenses
Employee Benefits	(\$516,687)	Workers' compensation insurance premiums decreased; employees paid a higher percentage of the health insurance premium costs

Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Charges for Services	\$338,160	Increased special education services to non-resident students; increased tuition payments for non-resident students; transportation revenues recorded as charges for services that were budgeted as use of money and property
Use of Money and Property	(\$203,794)	Transportation revenues recorded as charges for services that were budgeted as use of money and property
Sale of Property and Compensation for Loss	\$836,235	Payments from stop loss insurance to cover health insurance claims paid over threshold
Miscellaneous	\$291,798	Refund of prior year BOCES expenses higher than anticipated
State Sources	(\$690,334)	State aid received for transportation aid, building aid, and high cost aid was less than budgeted
Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Central Services	\$297,870	Energy costs are budgeted conservatively due to fluctuations in the market
Teaching-Regular School	\$524,495	Various positions paid with grant funds
Programs for Children with Handicapping Conditions	\$683,351	Various positions paid with grant funds
Employee Benefits	\$1,107,648	Reduced workers' compensation insurance premiums; lower than anticipated claims to the self-insured health insurance plan; higher employee and retiree contributions for health insurance

Capital Asset and Debt Administration

Capital Assets

By the end of the 2016-17 fiscal year, the District had invested \$49,582,511 in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2017</u>	<u>2016</u>
Land	\$ 375,730	\$ 375,730
Work in Process	5,057,636	1,218,816
Buildings and Improvements	39,809,984	39,950,859
Machinery and Equipment	4,339,161	4,082,904
Total	<u>\$ 49,582,511</u>	<u>\$ 45,628,309</u>

Long-Term Debt

At year end, the District had \$103,819,345 in general obligation bonds and other long-term debt as follows:

<u>Type</u>	<u>2017</u>	<u>2016</u>
Serial Bonds	\$ 10,932,987	\$ 11,847,315
Net Pension Liability	3,637,401	3,254,449
OPEB	85,977,943	76,511,574
Compensated Absences	3,271,014	3,184,201
Total Long-Term Obligations	\$ 103,819,345	\$ 94,797,539

Factors Bearing on the District's Future

During the 2016-2017 school year, the district concluded its comprehensive study of District operations, Horseheads 2030. This study provides the district with a framework for its instructional program. Concurrently, the district evaluated its facilities, using the most recent Building Condition Survey data to form a capital improvement plan. A Capital Referendum vote is scheduled for October 17. The school community is being presented a \$94.5 million, 5 year capital improvement plan. The referendum outcome will have a major impact on the district going forward.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Horseheads Central School District
One Raider Lane
Horseheads, New York 14845

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 32,712,516
Accounts receivable	5,317,246
Inventories	74,631
Prepaid items	416
Capital Assets:	
Land	375,730
Work in progress	5,057,636
Other capital assets (net of depreciation)	44,149,145
TOTAL ASSETS	<u>\$ 87,687,320</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>\$ 17,866,079</u>
 LIABILITIES	
Accounts payable	\$ 1,536,088
Accrued liabilities	928,447
Unearned revenues	52,718
Due to other governments	936
Due to teachers' retirement system	3,040,542
Due to employees' retirement system	228,154
Long-Term Obligations:	
Due in one year	2,463,179
Due in more than one year	101,356,166
TOTAL LIABILITIES	<u>\$ 109,606,230</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	<u>\$ 1,288,181</u>
 NET POSITION	
Net investment in capital assets	\$ 38,649,524
Restricted For:	
Debt service	3,852,144
Reserve for employee retirement system	6,741,222
Capital reserves	11,007,538
Other purposes	2,605,721
Unrestricted	(68,197,161)
TOTAL NET POSITION	<u><u>\$ (5,341,012)</u></u>

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Primary Government -</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
General support	\$ 12,122,056	\$ -	\$ -	\$ -	\$ (12,122,056)
Instruction	62,724,704	735,260	2,094,549	1,563,542	(58,331,353)
Pupil transportation	6,293,501	-	-	-	(6,293,501)
School lunch	2,285,278	683,678	941,527	-	(660,073)
Interest	353,719	-	-	-	(353,719)
Total Primary Government	<u>\$ 83,779,258</u>	<u>\$ 1,418,938</u>	<u>\$ 3,036,076</u>	<u>\$ 1,563,542</u>	<u>\$ (77,760,702)</u>
 General Revenues:					
Property taxes					\$ 36,480,912
State and federal aid					31,617,515
Investment earnings					194,504
Compensation for loss					1,136,235
Miscellaneous					1,550,957
Total General Revenues					<u>\$ 70,980,123</u>
Changes in Net Position					\$ (6,780,579)
Net Position, Beginning of Year					<u>1,439,567</u>
Net Position, End of Year					<u>\$ (5,341,012)</u>

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2017

	General Fund	Special Aid Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 26,761,403	\$ 253,838	1,502,069	\$ 4,195,206	\$ 32,712,516
Receivables	3,103,277	417,729	1,737,473	58,767	5,317,246
Inventories	-	-	-	74,631	74,631
Due from other funds	660,562	-	-	28,258	688,820
Prepaid items	416	-	-	-	416
TOTAL ASSETS	\$ 30,525,658	\$ 671,567	\$ 3,239,542	\$ 4,356,862	\$ 38,793,629
LIABILITIES AND FUND BALANCES					
Liabilities -					
Accounts payable	\$ 216,929	\$ 26,320	\$ 1,251,112	\$ 41,727	\$ 1,536,088
Accrued liabilities	879,710	-	-	901	880,611
Due to other funds	1,670	623,319	33,934	29,897	688,820
Due to other governments	-	-	-	936	936
Due to TRS	3,040,542	-	-	-	3,040,542
Due to ERS	228,154	-	-	-	228,154
Compensated absences	243,179	-	-	-	243,179
Unearned revenue	1,499	21,928	-	29,291	52,718
TOTAL LIABILITIES	\$ 4,611,683	\$ 671,567	\$ 1,285,046	\$ 102,752	\$ 6,671,048
Fund Balances -					
Nonspendable	\$ 416	\$ -	\$ -	\$ 74,631	\$ 75,047
Restricted	20,354,481	-	1,954,496	3,852,144	26,161,121
Assigned	2,559,334	-	-	327,335	2,886,669
Unassigned	2,999,744	-	-	-	2,999,744
TOTAL FUND BALANCE	\$ 25,913,975	\$ -	\$ 1,954,496	\$ 4,254,110	\$ 32,122,581
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,525,658	\$ 671,567	\$ 3,239,542	\$ 4,356,862	

Amounts reported for governmental activities in the

Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

49,582,511

Interest is accrued on outstanding bonds in the statement of net position but not in the funds.

(47,836)

The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:

Serial bonds payable

(10,932,987)

OPEB

(85,977,943)

Compensated absences

(3,027,835)

Deferred outflow

329,651

Deferred outflow - pension

17,536,428

Net pension liability

(3,637,401)

Deferred inflow - pension

(1,288,181)

Net Position of Governmental Activities

\$ (5,341,012)

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes and tax items	\$ 36,480,912	\$ -	\$ -	\$ -	\$ 36,480,912
Charges for services	735,260	-	-	-	735,260
Use of money and property	187,955	-	-	6,549	194,504
Sale of property and compensation for loss	1,136,235	-	-	-	1,136,235
Miscellaneous	1,455,988	21,142	-	13,657	1,490,787
State sources	31,433,606	556,016	1,563,542	33,788	33,586,952
Federal sources	183,909	1,517,391	-	907,739	2,609,039
Sales	-	-	-	683,678	683,678
Premium on obligations issued	-	-	-	16,984	16,984
TOTAL REVENUES	<u>\$ 71,613,865</u>	<u>\$ 2,094,549</u>	<u>\$ 1,563,542</u>	<u>\$ 1,662,395</u>	<u>\$ 76,934,351</u>
EXPENDITURES					
General support	\$ 9,092,897	\$ -	\$ -	\$ -	\$ 9,092,897
Instruction	35,516,635	2,135,702	-	7,929	37,660,266
Pupil transportation	2,889,646	40,577	1,054,531	-	3,984,754
Employee benefits	20,298,139	13,771	-	301,623	20,613,533
Debt service - principal	1,950,000	-	-	-	1,950,000
Debt service - interest	315,593	-	-	-	315,593
Cost of sales	-	-	-	631,088	631,088
Other expenses	-	-	-	900,886	900,886
Capital outlay	-	-	4,851,589	-	4,851,589
TOTAL EXPENDITURES	<u>\$ 70,062,910</u>	<u>\$ 2,190,050</u>	<u>\$ 5,906,120</u>	<u>\$ 1,841,526</u>	<u>\$ 80,000,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,550,955</u>	<u>\$ (95,501)</u>	<u>\$ (4,342,578)</u>	<u>\$ (179,131)</u>	<u>\$ (3,066,255)</u>
OTHER FINANCING SOURCES (USES)					
Transfers - in	\$ 6,456	\$ 95,501	\$ 1,000,000	\$ 230,011	\$ 1,331,968
Transfers - out	(1,299,268)	-	(32,700)	-	(1,331,968)
Proceeds from obligations	-	-	1,100,000	-	1,100,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (1,292,812)</u>	<u>\$ 95,501</u>	<u>\$ 2,067,300</u>	<u>\$ 230,011</u>	<u>\$ 1,100,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 258,143</u>	<u>\$ -</u>	<u>\$ (2,275,278)</u>	<u>\$ 50,880</u>	<u>\$ (1,966,255)</u>
FUND BALANCE, BEGINNING OF YEAR (restated)	<u>25,655,832</u>	<u>-</u>	<u>4,229,774</u>	<u>4,203,230</u>	<u>34,088,836</u>
FUND BALANCE, END OF YEAR	<u>\$ 25,913,975</u>	<u>\$ -</u>	<u>\$ 1,954,496</u>	<u>\$ 4,254,110</u>	<u>\$ 32,122,581</u>

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For Year Ended June 30, 2017

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS **\$ (1,966,255)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 4,851,589	
Additions to Assets, Net	1,118,868	
Depreciation	<u>(2,016,255)</u>	
		3,954,202

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

Debt Repayments	\$ 1,950,000	
Proceeds from Bond Issuance	(1,100,000)	
Unamortized Bond Premium	<u>64,328</u>	
		914,328

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (38,126)

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (9,466,370)

(Increase) decrease 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		210,610
Employees' Retirement System		(269,167)

Portion of deferred (inflow) / outflow recognized in long term debt (109,884)

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences		<u>(9,917)</u>
----------------------	--	----------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (6,780,579)**

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2017

	Private Purpose <u>Trust</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 46,589	\$ 427,230
Investments	-	1,997
Receivable from general fund	-	1,006
TOTAL ASSETS	<u>\$ 46,589</u>	<u>\$ 430,233</u>
LIABILITIES		
Accounts payable	\$ -	\$ 43
Extraclassroom activity balances	-	153,135
Other liabilities	-	277,055
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 430,233</u>
NET POSITION		
Restricted for scholarships	\$ 46,589	
TOTAL NET POSITION	<u>\$ 46,589</u>	

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2017

	Private Purpose <u>Trust</u>
ADDITIONS	
Contributions	\$ 4,771
Investment earnings	96
TOTAL ADDITIONS	<u>\$ 4,867</u>
DEDUCTIONS	
Scholarships and donations	\$ 6,400
TOTAL DEDUCTIONS	<u>\$ 6,400</u>
CHANGE IN NET POSITION	\$ (1,533)
NET POSITION, BEGINNING OF YEAR	<u>48,122</u>
NET POSITION, END OF YEAR	<u>\$ 46,589</u>

HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2017

I. Summary of Significant Accounting Policies

The financial statements of the Horseheads Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

1. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agency for various student organizations in an agency fund.

B. Joint Venture

The District is a component of the Greater Southern Tier Board of Cooperative Educational Services (BOCES). The BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

(I.) (Continued)

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State 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.

During the year, the District was billed \$12,544,292 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$4,227,235.

Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the 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.

2. Fund Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

(I.) (Continued)

The District reports the following governmental funds:

a. **Major Governmental Funds**

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.

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

Capital Projects Fund - Used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the District's lunch, breakfast and milk programs.

Miscellaneous Special Revenue Fund - This fund accounts for the proceeds of fundraisers, small private events and donations for specific purposes such as scholarships and school related events.

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.

c. **Fiduciary** - 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 District-wide 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:

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefit 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.

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.

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.

(I.) (Continued)

The District-Wide 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. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial 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 one year 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. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 15, 2016. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

F. Restricted Resources

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

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. 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 District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

(I.) (Continued)

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 VI for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures 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.

I. Cash and Cash Equivalents

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 the 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.

J. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

(I.) (Continued)

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. 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 non-spendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of capitalization thresholds and estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 15,000	N/A	N/A
Buildings and Improvements	\$ 15,000	SL	40 Years
Furniture and Equipment	\$ 5,000	SL	5 - 15 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

M. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

(I.) (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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 may have two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O. Vested Employee Benefits

1. 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.

Certain 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.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

P. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees 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 may be 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.

(I.) (Continued)

Q. Accrued Liabilities and Long-Term Obligations

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

R. Equity Classifications

1. District-Wide Statements

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

- a. **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, constructions or improvements of those assets.
- b. **Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources 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.

On the Statement of Net Position the following balances represent the restricted for other purposes:

	<u>Total</u>
Unemployment Costs	\$ 342,389
Tax Certiorari	638,990
Employee Benefits Accrued Liability	<u>1,624,342</u>
Total Net Position - Restricted for Other Purposes	<u><u>\$ 2,605,721</u></u>

- c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

2. Fund Statements

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

(I.) (Continued)

a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes:

	<u>Total</u>
Inventory in school lunch	\$ 74,631
Prepaid items	416
Total Nonspendable Fund Balance	<u>\$ 75,047</u>

b. **Restricted Fund Balances** – 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 District has established the following restricted fund balances:

Capital Reserve - According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

<u>Name</u> <u>of Reserve</u>	<u>Maximum</u> <u>Funding</u>	<u>Total Funding</u> <u>Provided</u>	<u>Year to Date</u> <u>Balance</u>
Capital Building/Transportation	\$ 15,000,000	\$ 11,000,000	\$ 11,007,538

Reserve for Debt Service - According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to 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.

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

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

Unemployment Insurance Reserve - According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

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

Restricted fund balances include the following:

<u>General Fund -</u>	
Capital Reserve	\$ 11,007,538
Unemployment Costs	342,389
Retirement Contribution	6,741,222
Tax Certiorari	638,990
Employee Benefits Accrued Liability	1,624,342
<u>Capital Fund -</u>	
Capital projects	1,954,496
<u>Debt Service Fund -</u>	
Debt Service	3,852,144
Total Restricted Funds	<u><u>\$ 26,161,121</u></u>

(I.) (Continued)

The District has appropriated the following reserves to support the 2017-18 budget:

Retirement Contributions	\$	300,000
EBALR		85,249
Total	\$	385,249

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2017.

d. **Assigned Fund Balance** – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the District’s purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Management has determined that amounts in excess of \$97,000 are considered significant encumbrances. The Capital Fund had \$2,076,919 in outstanding encumbrances at year end.

Assigned fund balances include the following:

General Fund-Encumbrances	\$	59,334
General Fund-Appropriated for Taxes		2,500,000
School Lunch Fund-Year End Equity		221,941
Miscellaneous special revenue		105,394
Total Assigned Fund Balance	\$	2,886,669

e. **Unassigned Fund Balance** – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the school district 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 overspending 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 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.

3. **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, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

(I.) (Continued)

S. 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 standards issued by GASB:

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 57, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 82, *Pension Issues-an amendment of GASB No. 67, No. 68, and No. 73*, effective for the year ended June 30, 2017.

T. Future Changes in Accounting Standards

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment 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 Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement 84, *Fiduciary Activities*, which will effective for the periods beginning after December 15, 2018.

GASB has issued Statement 85, *Omnibus 2017*, which will be effective for the periods beginning after June 15, 2017

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*, which will be effective for the periods beginning after June 15, 2017.

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

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

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

(II.) (Continued)

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which 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 restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2016-17 fiscal year, the budget was increased by \$545,786 for retirement incentives, \$103,225 for tax certiorari settlements, \$9,345 for donations, and \$60,600 for prior year encumbrances.

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

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

B. Encumbrances

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.

III. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

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

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		33,240,685
Total	\$	<u>33,240,685</u>

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$26,161,121 within the governmental funds and \$46,589 in the fiduciary funds.

IV. Investments

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District’s investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- A. Insured or registered, or investments held by the District or by the District’s agent in the District’s name, or
- B. Uninsured and unregistered, with the investments held by the financial institutes trust department in the District’s name, or
- C. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District’s name.

<u>Investment</u>	<u>Fund</u>	<u>Carrying Amount</u>	<u>Unrealized Investment Gain/(Loss)</u>	<u>Type of Investment</u>	<u>Category</u>
Scholarship	T&A	\$ 1,997	\$ 3	Fixed Income	A

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

V. Receivables

Receivables at June 30, 2017 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Special Aid Fund</u>	<u>Nonmajor Funds</u>	
Accounts Receivable	\$ 10,019	\$ -	\$ -	\$ 2,206	\$ 12,225
Due From State and Federal	2,920,020	1,737,473	417,729	56,561	5,131,783
Due From Other Governments	173,238	-	-	-	173,238
Total	\$ 3,103,277	\$ 1,737,473	\$ 417,729	\$ 58,767	\$ 5,317,246

District management has deemed the amounts to be fully collectible.

VI. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2017 were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 660,562	\$ 1,670	\$ 6,456	\$ 1,299,268
Special Aid Fund	-	623,319	95,501	-
School Lunch Fund	-	29,897	203,767	-
Debt Service Fund	26,588	-	26,244	-
Miscellaneous Special Revenue	1,670	-	-	-
Capital Fund	-	33,934	1,000,000	32,700
Total government activities	\$ 688,820	\$ 688,820	\$ 1,331,968	\$ 1,331,968

(VI.) (Continued)

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VII. Long Term Assets

A. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
Governmental Activities:				
Capital assets that are not depreciated -				
Land	\$ 375,730	\$ -	\$ -	\$ 375,730
Work in progress	1,218,816	4,851,589	(1,012,769)	5,057,636
<i>Total Nondepreciable</i>	<u>\$ 1,594,546</u>	<u>\$ 4,851,589</u>	<u>\$ (1,012,769)</u>	<u>\$ 5,433,366</u>
Capital assets that are depreciated -				
Buildings and improvements	\$ 65,562,268	\$ 993,544	\$ -	\$ 66,555,812
Machinery and equipment	11,256,451	1,143,067	(1,513,811)	10,885,707
<i>Total Depreciated Assets</i>	<u>\$ 76,818,719</u>	<u>\$ 2,136,611</u>	<u>\$ (1,513,811)</u>	<u>\$ 77,441,519</u>
Less accumulated depreciation -				
Buildings and improvements	\$ (25,611,409)	\$ (1,134,419)	\$ -	\$ (26,745,828)
Machinery and equipment	(7,173,547)	(881,836)	1,508,837	(6,546,546)
<i>Total accumulated depreciation</i>	<u>\$ (32,784,956)</u>	<u>\$ (2,016,255)</u>	<u>\$ 1,508,837</u>	<u>\$ (33,292,374)</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 44,033,763</u>	<u>\$ 120,356</u>	<u>\$ (4,974)</u>	<u>\$ 44,149,145</u>
Total Capital Assets	<u><u>\$ 45,628,309</u></u>	<u><u>\$ 4,971,945</u></u>	<u><u>\$ (1,017,743)</u></u>	<u><u>\$ 49,582,511</u></u>

Depreciation expense for the period was charged to functions/programs as follows:

Governmental Activities:	
General government support	\$ 79,222
Instruction	1,051,686
Pupil transportation	810,856
School lunch	74,491
Total Depreciation Expense	<u><u>\$ 2,016,255</u></u>

(VII.) (Continued)

B. Deferred Outflow of Resources

Deferred Outflows

Deferred outflow - pensions	\$ 17,536,428
Deferred outflow - gain/loss on refunding	329,651
Total Deferred Outflow	\$ 17,866,079

VIII. Long-Term Debt Obligations

A. Long-term liability

The balances and activity for the year are summarized below:

<u>Governmental Activities:</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Due Within</u> <u>One Year</u>
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 11,847,315	\$ 1,100,000	\$ 2,014,328	\$ 10,932,987	\$ 2,220,000
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 3,254,449	\$ 382,952	\$ -	\$ 3,637,401	\$ -
OPEB	76,511,574	9,466,369	-	85,977,943	-
Compensated Absences	3,184,201	86,813	-	3,271,014	243,179
Total Other Liabilities	\$ 82,950,224	\$ 9,936,134	\$ -	\$ 92,886,358	\$ 243,179
Total Long-Term Obligations	\$ 94,797,539	\$ 11,036,134	\$ 2,014,328	\$ 103,819,345	\$ 2,463,179

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

B. Deferred Inflow of Resources

Deferred Inflow

Deferred inflow - pension	\$ 1,288,181
---------------------------	--------------

C. Existing serial and statutory bond obligations:

<u>Description</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u> <u>Outstanding</u> <u>6/30/2017</u>
<u>Serial Bonds -</u>				
\$9,830,000 Capital improvement	2011	2020	2.00%-5.00%	\$ 2,680,000
\$12,260,486 Capital improvement	2008	2018	4.50%	860,000
\$6,225,000 Capital improvement	2016	2024	1.50%-2.00%	6,100,000
\$1,100,000 Bus purchases	2017	2022	2.00%	1,100,000
Total Serial Bonds				\$ 10,740,000
Unamortized bond premium				192,987
Total Serial Bonds, net				\$ 10,932,987

(VIII.) (Continued)

D. The following is a summary of debt service requirements:

<u>Year</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,220,000	\$ 274,344
2019	1,990,000	187,800
2020	2,045,000	124,050
2021	1,225,000	77,200
2022	1,230,000	55,200
2023-24	2,030,000	40,600
Total	\$ 10,740,000	\$ 759,194

In prior years, the District defeased certain general obligations and other bonds 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 trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$9,080,000 of bonds outstanding are considered defeased. The excess of the reacquisition price over the net carrying amount of the refunded bonds in the amount of \$988,955 has been deferred and is being amortized (\$109,884 annually) using the straight-line method through 2020. The balance of the deferred amount on refunding as of June 30, 2017 is \$329,651 and is reflected as a deferred outflow on the Statement of Net Position.

E. Interest on long-term debt for June 30, 2017 was composed of:

Interest paid	\$ 315,593
<u>Less: interest accrued in the prior year</u>	<u>(9,710)</u>
<u>Plus: interest accrued in the current year</u>	<u>47,836</u>
Total interest expense	\$ 353,719

IX. Pension Plans

A. General Information

The District participates in the New York State Teacher's Retirement System (TRS) and the New York State and Local Employee's Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

(IX.) (Continued)

ERS 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. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. 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. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

C. 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 TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, 2017:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2017	\$ 894,861	\$ 3,040,542

D. 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 TRS and ERS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Net pension assets/(liability)	\$ (1,989,479)	\$ (1,647,922)
District's portion of the Plan's total net pension asset/(liability)	0.0212%	0.1539%

(IX.) (Continued)

For the year ended June 30, 2017, the District recognized pension expenses of \$1,180,189 for ERS and \$2,665,807 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expensed and actual experience	\$ 49,854	\$ -	\$ 302,114	\$ 535,337
Changes of assumptions	679,679	9,387,612	-	-
Net difference between projected and actual earnings on pension plan investments	397,380	3,705,395	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	123,684	88,248	3,773	446,957
Subtotal	<u>\$ 1,250,597</u>	<u>\$ 13,181,255</u>	<u>\$ 305,887</u>	<u>\$ 982,294</u>
District's contributions subsequent to the measurement date	<u>228,154</u>	<u>2,876,422</u>	<u>-</u>	<u>-</u>
Grand Total	<u>\$ 1,478,751</u>	<u>\$ 16,057,677</u>	<u>\$ 305,887</u>	<u>\$ 982,294</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2017	\$ -	\$ 1,086,152
2018	417,138	1,086,152
2019	417,138	3,963,864
2020	358,550	3,068,524
2021	(248,116)	1,374,825
Thereafter	-	1,619,444
Total	<u>\$ 944,710</u>	<u>\$ 12,198,961</u>

E. 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:

(IX.) (Continued)

	<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	7.00%	7.50%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%
COLA's	1.30%	1.50%

For ERS, annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2017. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

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 as follows:

	<u>Long Term Expected Rate of Return</u>	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
<u>Asset Type -</u>		
Cash	-0.25%	-
Inflation-index bonds	1.50%	-
Domestic equity	4.55%	6.10%
International equity	6.35%	7.30%
Real estate	5.80%	5.40%
Alternative investments	0.00%	9.20%
Domestic fixed income securities	0.00%	1.00%
Global fixed income securities	0.00%	0.80%
Bonds/mortgages	1.31%	3.10%
Short-term	0.00%	0.01%
Private equity	7.75%	-
Absolute return strategies	4.00%	-
Opportunistic portfolios	5.89%	-
Real assets	5.54%	-

(IX.) (Continued)

F. Discount Rate

The discount rate used to calculate the total pension liability was 7% 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.

G. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% 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-percentagepoint lower (6% for ERS and 6.5% for TRS) or 1-percentagepoint higher (8% for ERS and 8.5% for TRS) than the current rate :

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (6,354,001)	\$ (1,989,479)	\$ 1,700,717
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
<u>TRS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (21,500,885)	\$ (1,647,922)	\$ 15,003,703

H. 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:

	(In Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan net position	168,004,363	107,506,142
Employers' net pension asset/(liability)	<u>\$ (9,396,223)</u>	<u>\$ (1,071,042)</u>
Ration of plan net position to the employers' total pension asset/(liability)	94.70%	99.01%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 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 \$228,154.

(IX.) (Continued)

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 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 \$3,040,542.

X. Postemployment 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 \$4,296,151 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2017 which indicates that the total liability for other postemployment benefits is \$165,622,649.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and 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 by governmental activities:

Annual required contribution	\$	15,126,729
Interest on net OPEB obligation		3,060,463
Adjustment to annual required contribution		<u>(4,424,672)</u>
Annual OPEB cost (expense)	\$	13,762,520
Contributions made		<u>4,296,151</u>
Increase in net OPEB obligation	\$	9,466,369
Net OPEB obligation - beginning of year		<u>76,511,574</u>
Net OPEB obligation - end of year	\$	<u><u>85,977,943</u></u>

(X.) (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year end 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 13,762,520	31.22%	\$ 85,977,943
6/30/2016	\$ 12,775,402	31.54%	\$ 76,511,574
6/30/2015	\$ 20,796,601	24.77%	\$ 67,765,052

Funded Status and Funding Progress - As of June 30, 2017, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$165,622,649, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$165,622,649. The covered payroll (annual payroll of active employees covered by the plan) was \$33,363,213, and the ratio of the UAAL to the covered payroll was 496.42%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. 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 supplemental information following the notes to the financial statements, presents multiyear 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 includes 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 June 30, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 2.25% inflation rate and a 4% 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 7.25% initially, reduced by decrements to an ultimate rate of 3.886% in 2075. 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 twenty-one years.

XI. Risk Management

A. General Information

The District is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. 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.

(XI.) (Continued)

B. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2016-17 fiscal year totaled \$1,876. The balance of the fund at June 30, 2017 was \$342,389 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2017, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

C. Self-Funded Medical Plan

The District participates in a self-funded medical plan administered through a third party administrator. The Plan is referred to as a premium credit plan. The District pays actual claim expenses and administrative charges. The District also, has stop-loss insurance coverage on specific claims in excess of \$130,000 within the plan year.

Liabilities are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The incurred but not reported claims (IBNR's) are fully funded and reported in the General Fund as part of the accrued liabilities balances at June 30, 2017.

A reconciliation of the claims recorded for 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Beginning liabilities	\$ 901,324	\$ 950,545
Incurred claims	14,137,513	9,543,752
Claims payments	<u>(14,202,139)</u>	<u>(9,592,973)</u>
Ending liabilities	<u>\$ 836,698</u>	<u>\$ 901,324</u>

The following statistical information is presented:

<u>Year</u>	<u>Contribution Revenue</u>	<u>Incurred Claim Expense</u>
2017	\$ 14,202,139	\$ 14,137,513
2016	\$ 9,592,973	\$ 9,543,752
2015	\$ 12,909,053	\$ 12,716,598

Contribution revenues consist of the expenditures charged to the funds plus the employee's payroll withholding plus the retiree's contribution. There are additional revenues which offset the claim expense such as rebates and refunds which are not included in contribution revenues.

The Plan has funded the incurred but not yet reported claims liability. The funding of this liability indicates that the plan's self funded insurance program is fully funded.

XII. Commitments and Contingencies

A. Litigation

The District has nine Tax Certiorari claims which are pending. The outcomes of these claims cannot be determined at this time, however, the District has established a tax certiorari reserve to help offset the potential impact of any potential claims. In addition, there is one potential claim which should be covered by insurance.

B. Grants

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

XIII. Rental of District Property

The District leases property, buses, and services to various organizations. Total rental income for the 2016-17 fiscal year totaled \$360,258.

XIV. Tax Abatement

The County of Chemung IDA, and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result the District property tax revenue was reduced \$3,001,369. The District received payment in lieu of tax (PILOT) payment totaling \$1,161,025 to help offset the property tax reduction.

XV. Restatement of Fund Balance

The District determined that reporting of the reserve for repairs relating to the fuel station needed to be reported in the Special Revenue Fund. Therefore, the following restatements were made as of June 30, 2017.

	Fund Statements	
	General Fund	Miscellaneous Special Revenue Fund
Fund balance as previously reported at June 30, 2016	\$ 25,697,609	\$ 65,125
Adjustments -		
Reallocation of Repair reserve to Miscellaneous Special Revenue Fund	<u>(41,777)</u>	<u>41,777</u>
Fund balance as Restated Fund Balance at June 30, 2017	<u>\$ 25,655,832</u>	<u>\$ 106,902</u>

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Funding Progress
of Post Employment Benefit Plan
(Unaudited)
For Year Ended June 30, 2017

Actuarial Valuation Date June 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL As a Percentage of Covered Payroll (4) / (5)
2010	\$ -	\$ 125,151,689	0.00%	\$ 125,151,689	\$ 31,415,000	398.38%
2012	\$ -	\$ 130,507,429	0.00%	\$ 130,507,429	\$ 30,443,000	428.69%
2013	\$ -	\$ 130,507,429	0.00%	\$ 130,507,429	\$ 27,638,593	472.19%
2014	\$ -	\$ 167,322,049	0.00%	\$ 167,322,049	\$ 27,061,027	618.31%
2015	\$ -	\$ 229,582,945	0.00%	\$ 229,582,945	\$ 30,004,769	765.15%
2016	\$ -	\$ 153,106,550	0.00%	\$ 153,106,550	\$ 29,719,271	515.18%
2017	\$ -	\$ 165,622,649	0.00%	\$ 165,622,649	\$ 33,363,213	496.42%

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability
(Unaudited)
For Year Ended June 30, 2017

NYSERS Pension Plan			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0212%	0.0203%	0.0205%
Proportionate share of the net pension liability (assets)	\$ (1,989,479)	\$ (3,254,449)	\$ (692,909)
Covered-employee payroll	\$ 5,911,576	\$ 5,404,301	\$ 5,784,364
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	33.654%	60.220%	11.979%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

NYSTRS Pension Plan			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.1539%	0.1462%	0.1496%
Proportionate share of the net pension liability (assets)	\$ (1,647,922)	\$ (15,190,299)	\$ (16,593,570)
Covered-employee payroll	\$ 24,542,853	\$ 23,747,221	\$ 21,967,468
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	6.714%	-63.967%	-75.537%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions
(Unaudited)
For Year Ended June 30, 2017

NYSERS Pension Plan			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 894,861	\$ 888,249	\$ 1,112,593
Contributions in relation to the contractually required contribution	<u>(894,861)</u>	<u>(888,249)</u>	<u>(1,112,593)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,911,576	\$ 5,404,301	\$ 5,784,364
Contributions as a percentage of covered-employee payroll	15.14%	16.44%	19.23%

NYSTRS Pension Plan			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 3,040,542	\$ 3,281,163	\$ 3,974,360
Contributions in relation to the contractually required contribution	<u>(3,040,542)</u>	<u>(3,281,163)</u>	<u>(3,974,360)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 24,542,853	\$ 23,747,221	\$ 21,967,468
Contributions as a percentage of covered-employee payroll	12.39%	13.82%	18.09%

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2017

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>Current</u> <u>Year's</u> <u>Revenues</u>	<u>Over (Under)</u> <u>Revised</u> <u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 29,658,387	\$ 30,072,423	\$ 30,072,423	\$ -
Real property tax items	6,755,692	6,331,811	6,408,489	76,678
Charges for services	397,100	397,100	735,260	338,160
Use of money and property	391,749	391,749	187,955	(203,794)
Sale of property and compensation for loss	300,000	300,000	1,136,235	836,235
Miscellaneous	1,145,000	1,164,190	1,455,988	291,798
State Sources -				
Basic formula	22,330,042	22,330,042	21,192,432	(1,137,610)
Lottery aid	5,000,000	5,000,000	5,416,610	416,610
BOCES	4,177,109	4,177,109	4,227,235	50,126
Textbooks	250,301	250,301	251,174	873
All Other Aid -				
Computer software	138,645	138,645	138,958	313
Library loan	27,843	27,843	27,906	63
Handicapped students	200,000	200,000	123,370	(76,630)
Other aid	-	-	55,921	55,921
Federal Sources	80,000	80,000	183,909	103,909
TOTAL REVENUES	\$ 70,851,868	\$ 70,861,213	\$ 71,613,865	\$ 752,652
Other Sources -				
Transfer - in	\$ -	\$ -	\$ 6,456	\$ 6,456
TOTAL REVENUES AND OTHER SOURCES	\$ 70,851,868	\$ 70,861,213	\$ 71,620,321	\$ 759,108
Appropriated reserves	\$ 385,249	\$ 488,474		
Appropriated fund balance	\$ 2,500,000	\$ 3,045,786		
Prior year encumbrances	\$ 60,600	\$ 60,600		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	\$ 73,797,717	\$ 74,456,073		

Required Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2017

	Original	Amended	Current		Unencumbered
	<u>Budget</u>	<u>Budget</u>	Year's	<u>Encumbrances</u>	<u>Balances</u>
			<u>Expenditures</u>		
EXPENDITURES					
General Support -					
Board of education	\$ 27,282	\$ 26,824	\$ 22,228	\$ -	\$ 4,596
Central administration	311,699	356,094	348,714	-	7,380
Finance	1,016,000	1,022,567	1,020,758	-	1,809
Staff	663,846	709,098	683,373	-	25,725
Central services	5,629,700	5,675,361	5,331,068	46,423	297,870
Special items	1,633,999	1,700,135	1,686,756	-	13,379
Instructional -					
Instruction, administration and improvement	2,975,330	3,007,361	2,927,519	-	79,842
Teaching - regular school	18,510,780	18,649,284	18,117,083	7,706	524,495
Programs for children with handicapping conditions	7,882,192	8,042,385	7,353,829	5,205	683,351
Occupational education	2,593,199	2,598,146	2,594,678	-	3,468
Teaching - special schools	5,430	5,671	5,671	-	-
Instructional media	1,288,707	1,304,205	1,288,695	-	15,510
Pupil services	3,118,973	3,261,237	3,229,160	-	32,077
Pupil Transportation	2,648,418	3,078,463	2,889,646	-	188,817
Employee Benefits	21,922,474	21,405,787	20,298,139	-	1,107,648
Debt service - principal	1,825,000	1,950,000	1,950,000	-	-
Debt service - interest	527,688	364,187	315,593	-	48,594
TOTAL EXPENDITURES	\$ 72,580,717	\$ 73,156,805	\$ 70,062,910	\$ 59,334	\$ 3,034,561
Other Uses -					
Transfers - out	\$ 1,217,000	\$ 1,299,268	\$ 1,299,268	\$ -	\$ -
TOTAL EXPENDITURES AND OTHER USES	\$ 73,797,717	\$ 74,456,073	\$ 71,362,178	\$ 59,334	\$ 3,034,561
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	\$ -	\$ -	\$ 258,143		
FUND BALANCE, BEGINNING OF YEAR	25,655,832	25,655,832	25,655,832		
FUND BALANCE, END OF YEAR	\$ 25,655,832	\$ 25,655,832	\$ 25,913,975		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change From Adopted Budget To Final Budget
And The Real Property Tax Limit
For Year Ended June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 73,737,117
Prior year's encumbrances	60,600
Original Budget	\$ 73,797,717
Budget revisions -	
Tax certiorari settlements	103,225
Retirement incentives	545,786
Donations	9,345
FINAL BUDGET	\$ 74,456,073

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2017-18 voter approved expenditure budget	\$ 74,993,599
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 2,559,334
Unassigned fund balance	2,999,744
Total Unrestricted fund balance	\$ 5,559,078
<u>Less adjustments:</u>	
Appropriated fund balance	\$ 2,500,000
Encumbrances included in assigned fund balance	59,334
Total adjustments	\$ 2,559,334
General fund fund balance subject to Section 1318 of Real Property Tax Law	2,999,744
ACTUAL PERCENTAGE	4.00%

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
June 30, 2017

Project Title	Expenditures					Unexpended Balance	Methods of Financing					Fund Balance
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total		Obligations	Local Sources	State Sources	Transfers	Total	
Unspent capital outlay projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,919	\$ 272,919	\$ 272,919
2013-14 capital project	1,300,000	1,300,000	1,293,700	-	1,293,700	6,300	-	1,300,000	-	-	1,300,000	6,300
2014-15 capital project	1,000,000	1,000,000	902,485	97,515	1,000,000	-	-	1,000,000	-	-	1,000,000	-
2015-16 capital project	1,000,000	1,000,000	69,285	902,358	971,643	28,357	-	1,000,000	-	-	1,000,000	28,357
MS/IS Tech and Softball Fields	3,000,000	3,000,000	77,676	1,966,079	2,043,755	956,245	-	3,000,000	-	-	3,000,000	956,245
SSBA capital project Phase I	2,929,862	2,929,862	173,931	1,563,542	1,737,473	1,192,389	-	-	1,737,473	-	1,737,473	-
2016-17 capital project	1,000,000	1,000,000	-	309,326	309,326	690,674	-	1,000,000	-	-	1,000,000	690,674
2016-17 bus purchases	1,100,000	1,100,000	-	1,100,000	1,100,000	-	1,100,000	-	-	-	1,100,000	-
TOTAL	\$ 11,329,862	\$ 11,329,862	\$ 2,517,077	\$ 5,938,820	\$ 8,455,897	\$ 2,873,965	\$ 1,100,000	\$ 7,300,000	\$ 1,737,473	\$ 272,919	\$ 10,410,392	\$ 1,954,495

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2017

	Special			Total
	Revenue Funds			
	School	Miscellaneous	Debt	Governmental
	Lunch	Special Revenue	Service	Funds
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 265,926	\$ 103,724	\$ 3,825,556	\$ 4,195,206
Receivables	58,767	-	-	58,767
Inventories	74,631	-	-	74,631
Due from other funds	-	1,670	26,588	28,258
TOTAL ASSETS	<u>\$ 399,324</u>	<u>\$ 105,394</u>	<u>\$ 3,852,144</u>	<u>\$ 4,356,862</u>
LIABILITIES AND FUND BALANCES				
<u>Liabilities -</u>				
Accounts payable	\$ 41,727	\$ -	\$ -	\$ 41,727
Accrued liabilities	901	-	-	901
Due to other funds	29,897	-	-	29,897
Due to other governments	936	-	-	936
Unearned revenue	29,291	-	-	29,291
TOTAL LIABILITIES	<u>\$ 102,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,752</u>
<u>Fund Balances -</u>				
Nonspendable	\$ 74,631	\$ -	\$ -	\$ 74,631
Restricted	-	-	3,852,144	3,852,144
Assigned	221,941	105,394	-	327,335
TOTAL FUND BALANCE	<u>\$ 296,572</u>	<u>\$ 105,394</u>	<u>\$ 3,852,144</u>	<u>\$ 4,254,110</u>
TOTAL LIABILITIES AND				
FUND BALANCES	<u>\$ 399,324</u>	<u>\$ 105,394</u>	<u>\$ 3,852,144</u>	<u>\$ 4,356,862</u>

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2017

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch Fund</u>	<u>Miscellaneous Special Revenue Fund</u>		
REVENUES				
Use of money and property	\$ 293	-	\$ 6,256	\$ 6,549
Miscellaneous	7,236	6,421	-	13,657
State sources	33,788	-	-	33,788
Federal sources	907,739	-	-	907,739
Sales	683,678	-	-	683,678
Premium on obligations issued	-	-	16,984	16,984
TOTAL REVENUES	\$ 1,632,734	\$ 6,421	\$ 23,240	\$ 1,662,395
EXPENDITURES				
Instruction	\$ -	7,929	\$ -	\$ 7,929
Employee benefits	301,623	-	-	301,623
Cost of sales	631,088	-	-	631,088
Other expenses	900,886	-	-	900,886
TOTAL EXPENDITURES	\$ 1,833,597	\$ 7,929	\$ -	\$ 1,841,526
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (200,863)	\$ (1,508)	\$ 23,240	\$ (179,131)
OTHER FINANCING SOURCES (USES)				
Transfers - in	\$ 203,767	\$ -	\$ 26,244	\$ 230,011
TOTAL OTHER FINANCING SOURCES (USES)	\$ 203,767	\$ -	\$ 26,244	\$ 230,011
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 2,904	\$ (1,508)	\$ 49,484	\$ 50,880
FUND BALANCE, BEGINNING OF YEAR (restated)	293,668	106,902	3,802,660	4,203,230
FUND BALANCE, END OF YEAR	\$ 296,572	\$ 105,394	\$ 3,852,144	\$ 4,254,110

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2017

Capital assets, net		\$ 49,582,511
Deduct:		
Short-term portion of bonds payable	\$ 2,220,000	
Long-term portion of bonds payable	<u>8,712,987</u>	
		<u>10,932,987</u>
Net Investment in Capital Assets		<u><u>\$ 38,649,524</u></u>

Supplementary Information
HORSEHEADS CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2017

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-17-0121	\$ 901,462
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-17-0121	24,053
<i>Total Special Education Cluster IDEA</i>				\$ 925,515
Title IIA - Teacher Training	84.367	N/A	0147-16-0415	658
Title IIA - Teacher Training	84.367	N/A	0147-17-0415	82,713
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-16-0415	109
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-17-0415	489,745
Title I - School Improvement	84.010	N/A	0011-16-2594	652
Total U.S. Department of Education				\$ 1,499,392
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
Food Service Equipment Assistance Grant	10.579	N/A	5004-11-0026	\$ 17,999
<u>Child Nutrition Cluster -</u>				
National School Lunch Program	10.555	N/A	D039	\$ 618,464
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	D039	135,935
National School Breakfast Program	10.553	N/A	D039	153,340
<i>Total Child Nutrition Cluster</i>				\$ 907,739
Total U.S. Department of Agriculture				\$ 925,738
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,425,130

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

**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***

Independent Auditors' Report

To the Board of Education
Horseheads Central School District, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Horseheads Central School District, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Horseheads Central School District, New York's basic financial statements, and have issued our report thereon dated September 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Horseheads Central School District, New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Horseheads Central School District, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Horseheads Central School District, New York'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 District'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 Horseheads Central School District, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 8, 2017

Raymond F. Wager CPA, P.C.