

CORTLAND ENLARGED CITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For The Year Ended June 30, 2017

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

Shareholders:

Raymond F. Wager, CPA
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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
Cortland Enlarged City School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Cortland Enlarged City School District, New York, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 Cortland Enlarged City 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 54–58 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 District's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Uniform Guidance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Uniform Guidance are the responsibility of management and were 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 supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Uniform Guidance are 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 17, 2017 on our consideration of the Cortland Enlarged City 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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Raymond F. Wager, CPA, PC". The signature is written in a cursive style.

September 17, 2017

**Cortland Enlarged City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

The following is a discussion and analysis of the Cortland Enlarged City School District's (the District) financial performance for the fiscal year ended June 30, 2017. This section is a summary of the 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 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 \$273,068 (net position) a decrease of (\$9,176,441) from the prior year. This decrease is primarily the result of an \$8,681,932 increase in the Other Postemployment Benefits Liability, increased salaries and added use of BOCES services, offset by a reduction in employee benefit costs.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$5,768,041, a decrease of \$4,773,340 in comparison with the prior year. This decrease is mainly the result of increased salaries, added use of BOCES services and capital project expenditures.

General revenues, which include Federal and State Aid and Real Property Taxes, accounted for \$45,368,864 or 91.0% of all revenues. Program specific revenues in the form of Charges for services and Operating Grants and Contributions totaled \$4,478,684 or 9.0% of total revenues.

Overview of the Financial Statements

This management's 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 seven individual governmental funds; General Fund, Capital Projects Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund, Miscellaneous Special Revenue Fund and Permanent 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, special aid fund, school lunch fund, debt service fund and capital projects fund which are reported as major funds. Data for the miscellaneous special revenue fund and the permanent fund were aggregated into a single column and 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 decreased during June 30, 2017 103.1% to \$(273,068) as shown in the table below.

	<u>Governmental Activities</u>		Total
	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<u>ASSETS:</u>			
Current Assets	\$ 8,296,855	\$ 12,577,259	\$ (4,280,404)
Noncurrent Assets	80,260,787	90,974,175	(10,713,388)
Total Assets	\$ 88,557,642	\$ 103,551,434	\$ (14,993,792)
Deferred Outflows of Resources	\$ 12,820,580	\$ 4,848,514	\$ 7,972,066
<u>LIABILITIES:</u>			
Current Liabilities	\$ 12,870,571	\$ 14,119,115	\$ (1,248,544)
Long-Term Obligations	88,018,504	81,125,941	6,892,563
Total Liabilities	\$ 100,889,075	\$ 95,245,056	\$ 5,644,019
Deferred Inflows of Resources	\$ 762,215	\$ 4,251,519	\$ (3,489,304)
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 40,784,492	\$ 39,334,059	\$ 1,450,433
Restricted net position	8,223,585	9,511,036	(1,287,451)
Unrestricted net position	(49,281,145)	(39,941,722)	(9,339,423)
Total Net Position	\$ (273,068)	\$ 8,903,373	\$ (9,176,441)

The decrease in assets is primarily the result a net pension asset in the prior year in the amount of \$11,490,559. This asset was converted to a net pension liability in the amount of \$1,208,966 in the current year. In addition, assets were decreased due to the use of reserves, offset by an increase in capitalizable assets. Current liabilities decreased due to a decrease in accounts payable at year end. Long-term obligations increased as the result of an increase in other postemployment benefits liability in the amount of \$8,681,932, offset by a reduction in debt.

By far, the largest component of the School District's net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. 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.

Restricted net position consists of funds restricted by outside entities or enabling legislation. The remaining balance, unrestricted net position, is a deficit of \$49,281,145. This deficit is primarily the result of the other postemployment benefits liability in the amount of \$58,070,934 and net pension liabilities of \$2,634,549 offset by deferred pension outflows of \$12,820,580.

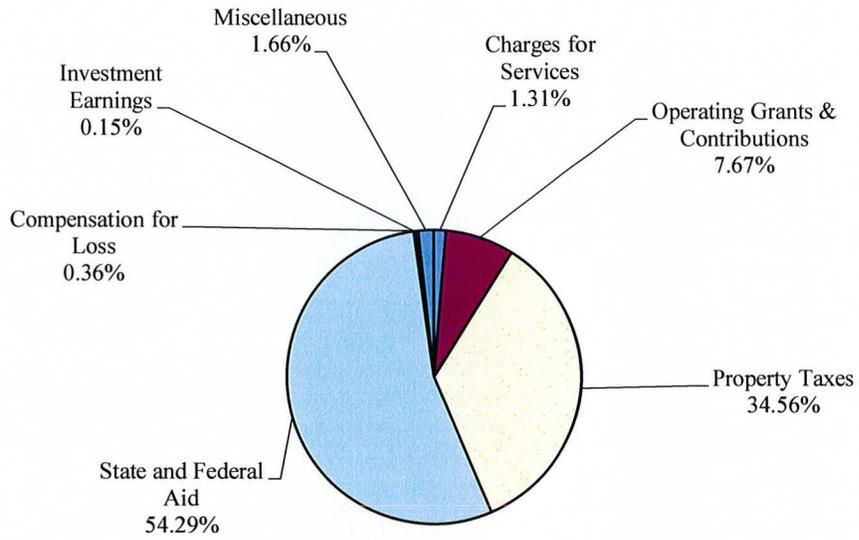
Changes in Net Position

The District's total revenue increased 3.2% to \$49,847,548. State and federal aid (54.3%) and property taxes (34.6%) accounted for the majority of the District's revenue. The remaining (11.1%) of the revenue comes from cafeteria sales, charges for services, investment earnings, compensation for loss, and miscellaneous revenues.

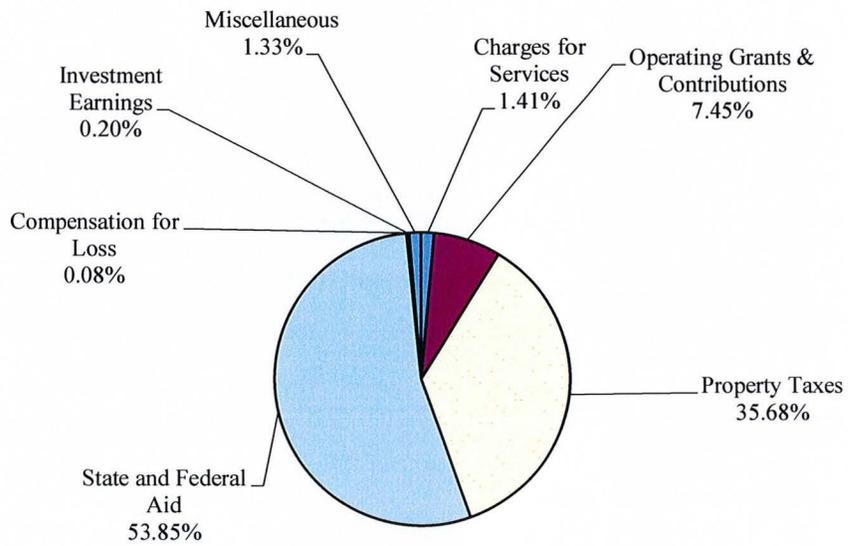
The total cost of all programs and services increased 7.9% to \$59,023,989. The District's expenses are predominately related to education and caring for the students (Instruction - 80.4%). General support, which includes expenses associated with the operation, maintenance and administration of the District, accounted for 11.0% of the total costs. See table below:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	\$ 653,399	\$ 681,626	\$ (28,227)
Operating Grants & Contributions	3,825,285	3,599,582	225,703
Total Program	<u>\$ 4,478,684</u>	<u>\$ 4,281,208</u>	<u>\$ 197,476</u>
<u>General -</u>			
Property Taxes	\$ 17,227,764	\$ 17,233,385	\$ (5,621)
State and Federal Aid	27,061,599	26,008,333	1,053,266
Investment Earnings	74,346	95,145	(20,799)
Compensation for Loss	179,405	39,354	140,051
Miscellaneous	825,750	636,202	189,548
Total General	<u>\$ 45,368,864</u>	<u>\$ 44,012,419</u>	<u>\$ 1,356,445</u>
TOTAL REVENUES	<u>\$ 49,847,548</u>	<u>\$ 48,293,627</u>	<u>\$ 1,553,921</u>
<u>EXPENSES:</u>			
General Support	\$ 6,510,036	\$ 5,739,100	\$ 770,936
Instruction	47,451,116	44,006,125	3,444,991
Pupil Transportation	2,467,552	2,368,731	98,821
Civic Activities	240		240
School Lunch	1,627,354	1,584,268	43,086
Interest on Long-Term Debt	967,691	1,003,670	(35,979)
TOTAL EXPENSES	<u>\$ 59,023,989</u>	<u>\$ 54,701,894</u>	<u>\$ 4,322,095</u>
NET (DECREASE) IN NET POSITION	<u>\$ (9,176,441)</u>	<u>\$ (6,408,267)</u>	<u>\$ (2,768,174)</u>

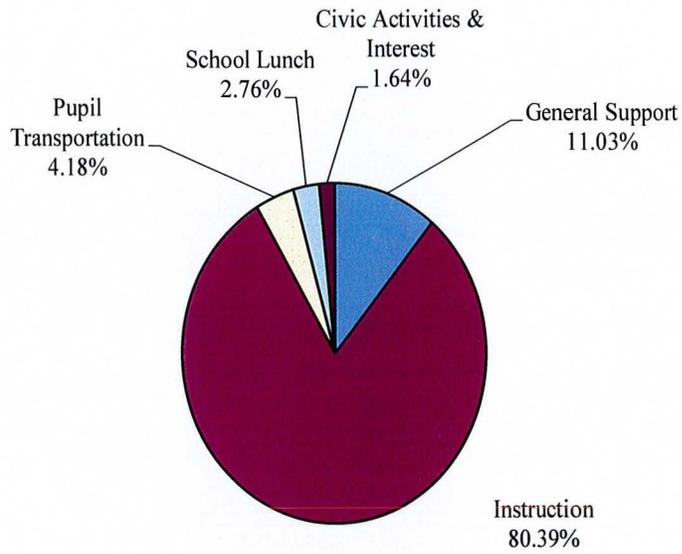
Revenue for 2016-17



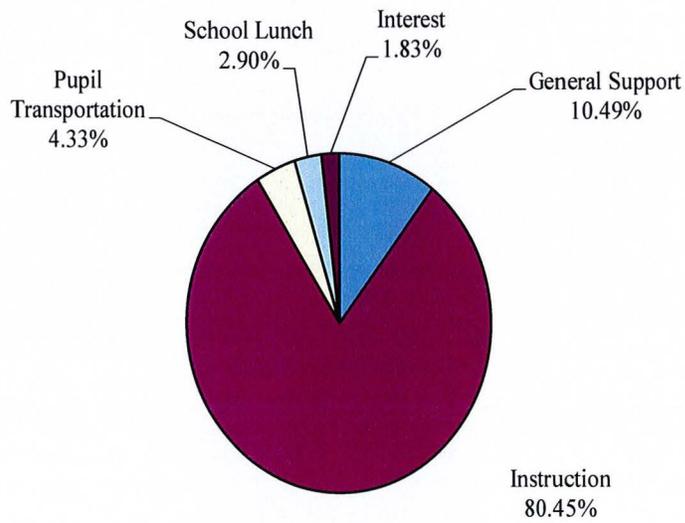
Revenue for 2015-16



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 \$5,768,041, which is less than last year's fund balance of \$10,541,381.

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 \$7,718,102. Fund balance for the General Fund decreased by \$1,918,891 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Restricted	\$ 6,851,450	\$ 8,204,454	\$ (1,353,004)
Assigned	506,659	530,621	(23,962)
Unassigned	359,993	901,918	(541,925)
Total General Fund Balances	<u>\$ 7,718,102</u>	<u>\$ 9,636,993</u>	<u>\$ (1,918,891)</u>

The District appropriated funds from the following reserves for the 2017-18 budget:

Insurance	\$ 240,142
Employee Benefit Accrued Liability	250,000
Retirement Contribution	725,000
Repair	100,000
Tax Certiorari	773,000
Unemployment Insurance	25,000
Workers' Compensation	240,000
Total	<u>\$ 2,353,142</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$30,621. This change is attributable to \$30,621 of carryover encumbrances from the 2015-16 school year.

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

Expenditure Items:	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Central Services	665,917	Change in allocation of BOCES services
Special Items	163,280	Refund of taxes due to change in assessment
Teaching – Regular School	108,339	Change in allocation of BOCES services

Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Programs for Children with Handicapping Conditions	(180,055)	Change in allocation of BOCES services
Teaching – Special Schools	(118,664)	Change in allocation of BOCES services
Instructional Media	336,996	Increased BOCES services
Employee Benefits	(801,291)	Reduced ERS, TRS and retirement incentive payments
Debt service - Principal	168,411	Lease payment budgeted as debt service
Interfund Transfers	135,661	Summer School Handicap program and unforeseen capital project transfers

Capital Asset and Debt Administration

Capital Assets

By the end of the 2016-17 fiscal year, the District had invested \$72,110,645 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	\$ 503,239	\$ 503,239
Work in Progress	3,267,751	42,561,150
Buildings and Improvements	66,483,850	24,728,484
Machinery and Equipment	1,855,805	1,583,643
Total	<u>\$ 72,110,645</u>	<u>\$ 69,376,516</u>

Long-Term Debt

At year end, the District had \$78,598,289 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2017</u>	<u>2016</u>
Serial Bonds	\$ 23,786,000	\$ 25,185,000
Unamortized Bond Premium	3,505,800	3,797,950
Compensated Absences	2,659,371	2,618,105
Net pension (asset)/liability	2,634,549	(8,952,525)
Net Deferred (Outflow)/Inflow	(12,058,365)	(596,995)
OPEB	58,070,934	49,389,002
Total Long-Term Obligations	<u>\$ 78,598,289</u>	<u>\$ 71,440,537</u>

Factors Bearing on the District's Future

Although the Gap Elimination Adjustment (GEA) has ended, Cortland ECSD lost \$9,700,000.00 in state aid from 2009-2016. This fact, coupled with the Tax Levy Limit, forced us to rely on reserves as a means to balance our budget. This practice is unsustainable. This formula forced a 0% tax levy increase for the past two years limiting our ability to raise revenue. This is exacerbated by the inadequate and unfair distribution of State Aid through the Foundation Aid formula. A reduction in TRS and ERS contributions helped to offset the increases in health care and contractual increases. However, we cannot continue to spend more (expenses) than we receive in revenue. The Comptroller has designated Cortland ECSD as one of nine NYS districts as "Moderately Fiscally Stressed." We will continue to reallocate available resources to meet students' needs, including curriculum development and professional development for staff.

Due to our declining enrollment, the BOE commissioned a study to look at grade configurations and facility usage. One possible outcome is to close one of the five elementary buildings. The goal is to reduce sections and staffing through attrition. Any necessary renovations to accommodate this will be paid for from the existing capital reserve and state aid. There would be no additional tax impact.

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:

Cortland Enlarged City School District
1 Valley View Drive
Cortland, New York 13045
Attn: Kimberly Vile
Business Administrator

CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,141,835
Cash and cash equivalents - restricted	2,122,060
Accounts receivable	2,969,133
Prepaid items	7,980
Inventories	55,847
TOTAL CURRENT ASSETS	<u>\$ 8,296,855</u>
NONCURRENT ASSETS	
Cash and cash equivalents - restricted	\$ 8,034,497
Investments - restricted	115,645
Capital Assets:	
Land	503,239
Work in progress	3,267,751
Other capital assets (net of depreciation)	68,339,655
TOTAL NONCURRENT ASSETS	<u>\$ 80,260,787</u>
TOTAL ASSETS	<u>\$ 88,557,642</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>\$ 12,820,580</u>
CURRENT LIABILITIES	
Accounts payable	\$ 1,419,567
Accrued liabilities	64,386
Unearned revenues	45,689
Due to other governments	349
Due to teachers' retirement system	2,238,262
Due to employees' retirement system	214,833
Long-term obligations due in one year	8,887,485
TOTAL CURRENT LIABILITIES	<u>\$ 12,870,571</u>
NONCURRENT LIABILITIES	
Long-term obligations due in more than one year	<u>\$ 88,018,504</u>
TOTAL NONCURRENT LIABILITIES	<u>\$ 88,018,504</u>
TOTAL LIABILITIES	<u>\$ 100,889,075</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	<u>\$ 762,215</u>
NET POSITION	
Net investment in capital assets	\$ 40,784,492
Restricted For:	
Debt service	1,183,047
Reserve for employee retirement system	1,336,819
Capital reserves	2,284,332
Other purposes	3,419,387
Unrestricted	(49,281,145)
TOTAL NET POSITION	<u>\$ (273,068)</u>

CORTLAND ENLARGED CITY 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)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
<u>Primary Government -</u>				
General support	\$ 6,510,036	\$ 1,125		\$ (6,508,911)
Instruction	47,451,116	121,162	2,739,725	(44,590,229)
Pupil transportation	2,467,552	64,743		(2,402,809)
School lunch	1,627,354	466,369	1,085,560	(75,425)
Civic Activities	240			(240)
Interest	967,691			(967,691)
Total Primary Government	\$ 59,023,989	\$ 653,399	\$ 3,825,285	\$ (54,545,305)

General Revenues:

Property taxes and tax items	\$ 17,227,764
State and federal aid	27,061,599
Investment earnings	74,346
Compensation for loss	179,405
Miscellaneous	825,750
Total General Revenues	\$ 45,368,864
Changes in Net Position	\$ (9,176,441)
Net Position, Beginning of Year	8,903,373
Net Position, End of Year	\$ (273,068)

CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>
ASSETS			
Cash and cash equivalents	\$ 2,076,024		\$ 635,580
Cash and cash equivalents - restricted	6,851,450	\$ 529,652	
Investments - restricted			
Receivables	2,613,464	284,106	71,563
Inventories			55,847
Deferred expenditures	1,980		
Due from other funds	637,549	52,830	50,759
TOTAL ASSETS	<u><u>\$ 12,180,467</u></u>	<u><u>\$ 866,588</u></u>	<u><u>\$ 813,749</u></u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<u>Liabilities</u> -			
Accounts payable	\$ 1,186,549	\$ 192,372	\$ 23,466
Accrued liabilities	29,141	24,782	10,463
Due to other funds	97,710	616,104	21,625
Due to other governments			349
Due to TRS	2,238,262		
Due to ERS	214,833		
BANs payable			
Compensated absences	186,922		
Unearned revenue		33,330	12,359
TOTAL LIABILITIES	<u><u>\$ 3,953,417</u></u>	<u><u>\$ 866,588</u></u>	<u><u>\$ 68,262</u></u>
<u>Deferred Inflows</u> -			
Deferred inflows of resources	<u><u>\$ 508,948</u></u>		
<u>Fund Balances</u> -			
Nonspendable			\$ 55,847
Restricted	6,851,450		
Assigned	506,659		689,640
Unassigned	359,993		
TOTAL FUND BALANCE	<u><u>\$ 7,718,102</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 745,487</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$ 12,180,467</u></u>	<u><u>\$ 866,588</u></u>	<u><u>\$ 813,749</u></u>

(See accompanying notes to financial statements)

<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ 2,711,604
1,117,193	2,048,617	39,876	10,586,788
		115,645	115,645
			2,969,133
			55,847
	6,000		7,980
65,854		2,862	809,854
<u>\$ 1,183,047</u>	<u>\$ 2,054,617</u>	<u>\$ 158,383</u>	<u>\$ 17,256,851</u>
	\$ 16,041	\$ 1,139	\$ 1,419,567
	72,929	1,486	64,386
			809,854
			349
			2,238,262
			214,833
	6,000,000		6,000,000
			186,922
			45,689
<u>\$ -0-</u>	<u>\$ 6,088,970</u>	<u>\$ 2,625</u>	<u>\$ 10,979,862</u>
			\$ 508,948
		\$ 115,645	\$ 171,492
1,183,047		40,113	8,074,610
	(4,034,353)		1,196,299
<u>\$ 1,183,047</u>	<u>\$ (4,034,353)</u>	<u>\$ 155,758</u>	<u>\$ (3,674,360)</u>
<u>\$ 1,183,047</u>	<u>\$ 2,054,617</u>	<u>\$ 158,383</u>	

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.	\$ 72,110,645
Taxes receivable is deferred for those amounts collected after ninety (90) days on fund basis, while those amounts are recorded as revenue on the full accrual basis.	508,948
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(62,413)
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	(23,786,000)
OPEB	(58,070,934)
Compensated absences	(2,659,371)
Unamortized bond premium	(3,505,800)
Deferred outflow - pension	12,820,580
Net pension liability	(2,634,549)
Deferred inflow - pension	(762,215)
Net Position of Governmental Activities	<u>\$ (273,068)</u>

CORTLAND ENLARGED CITY 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>School Lunch Fund</u>
REVENUES			
Real property taxes and tax items	\$ 17,190,421		
Charges for services	186,805		1,100
Use of money and property	67,077		447
Sale of property and compensation for loss	143,405		
Miscellaneous	825,750	29,611	
State sources	26,978,789	811,887	71,514
Federal sources	82,810	1,889,166	1,014,046
Sales			465,269
TOTAL REVENUES	\$ 45,475,057	\$ 2,730,664	\$ 1,552,376
EXPENDITURES			
General support	\$ 4,762,648		
Instruction	25,724,424	2,625,533	
Pupil transportation	1,296,685	35,469	
Employee benefits	11,783,382	122,480	322,448
Debt service - principal	2,360,000		
Debt service - interest	1,284,360		
Cost of sales			594,729
Other expenses	240		529,506
Capital outlay			
TOTAL EXPENDITURES	\$ 47,211,739	\$ 2,783,482	\$ 1,446,683
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,736,682)	\$ (52,818)	\$ 105,693
OTHER FINANCING SOURCES (USES)			
Transfers - in	\$ 7,775	\$ 52,818	
Transfers - out	(189,984)		
BANs Redeemed from Appropriation			
Bond Proceeds			
Premium on Obligations			
TOTAL OTHER FINANCING SOURCES (USES)	\$ (182,209)	\$ 52,818	\$ -0-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (1,918,891)	\$ -0-	\$ 105,693
FUND BALANCE, BEGINNING OF YEAR	9,636,993		639,794
FUND BALANCE, END OF YEAR	\$ 7,718,102	\$ -0-	\$ 745,487

(See accompanying notes to financial statements)

<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ 17,190,421
			187,905
3,275		3,772	74,571
			143,405
		9,061	864,422
			27,862,190
			2,986,022
			465,269
<u>\$ 3,275</u>	<u>\$ -0-</u>	<u>\$ 12,833</u>	<u>\$ 49,774,205</u>
			\$ 4,762,648
		18,452	28,368,409
	643,580		1,975,734
			12,228,310
			2,360,000
			1,284,360
			594,729
			529,746
	3,445,949		3,445,949
<u>\$ -0-</u>	<u>\$ 4,089,529</u>	<u>\$ 18,452</u>	<u>\$ 55,549,885</u>
<u>\$ 3,275</u>	<u>\$ (4,089,529)</u>	<u>\$ (5,619)</u>	<u>\$ (5,775,680)</u>
\$ 24,515	\$ 125,166	\$ 12,000	\$ 222,274
	(31,590)	(700)	(222,274)
	250,000		250,000
	711,000		711,000
<u>41,340</u>			<u>41,340</u>
<u>\$ 65,855</u>	<u>\$ 1,054,576</u>	<u>\$ 11,300</u>	<u>\$ 1,002,340</u>
\$ 69,130	\$ (3,034,953)	\$ 5,681	\$ (4,773,340)
1,113,917	(999,400)	150,077	10,541,381
<u>\$ 1,183,047</u>	<u>\$ (4,034,353)</u>	<u>\$ 155,758</u>	<u>\$ 5,768,041</u>

CORTLAND ENLARGED CITY 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 \$ (4,773,340)

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	\$ 3,445,949	
Additions to Assets, Net	711,665	
Depreciation	<u>(1,423,485)</u>	
		2,734,129

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	2,110,000
Proceeds of Obligations	(711,000)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (16,821)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 37,343

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. (8,681,932)

(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	107,120
Employees' Retirement System	(232,824)

Portion of Bond Premium recognized this year 292,150

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>(41,266)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (9,176,441)**

CORTLAND ENLARGED CITY 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 - restricted	\$ 123,097	\$ 694,886
Investments - restricted		30,576
Accounts receivable		88,873
Receivable from general fund		779,091
TOTAL ASSETS	<u>\$ 123,097</u>	<u>\$ 1,593,426</u>
LIABILITIES		
Payable to general fund		\$ 76,470
Extraclassroom activity balances		175,978
Other liabilities		1,340,978
TOTAL LIABILITIES	<u>\$ -0-</u>	<u>\$ 1,593,426</u>
NET POSITION		
Restricted for scholarships	\$ 123,097	
TOTAL NET POSITION	<u>\$ 123,097</u>	

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017**

	Private Purpose <u>Trust</u>
ADDITIONS	
Contributions	\$ 9,700
Investment earnings	85
TOTAL ADDITIONS	<u>\$ 9,785</u>
DEDUCTIONS	
Scholarships and donations	\$ 7,949
TOTAL DEDUCTIONS	<u>\$ 7,949</u>
CHANGE IN NET POSITION	\$ 1,836
NET POSITION, BEGINNING OF YEAR	<u>121,261</u>
NET POSITION, END OF YEAR	<u>\$ 123,097</u>

CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2017

I. Summary of Significant Accounting Policies

The financial statements of Cortland Enlarged City 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

Cortland Enlarged City School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven 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 over 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 for various student organizations in an agency fund.

(I.) (Continued)

B. Joint Venture

The District is a component of Onondaga-Cortland-Madison 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.

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 \$6,913,420 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$2,111,805.

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.

(I.) (Continued)

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.

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.

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

Debt Service Fund - This fund accounts for the accumulation of resources and the payment of principle and interest on long-term obligations for governmental activities.

Capital Project Fund - Used to account for the financial resources used for acquisition, construction, or major repair of capital facilities and debt funded vehicles.

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

Miscellaneous Special Revenue Fund - This fund accounts for and reports those revenues that are restricted or committed to expenditures for specified purposes.

(I.) (Continued)

Permanent Fund – Used to account for and report resources that are legally restricted to the extent that earnings, not principle, may be used for purposes that benefit the District.

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

The 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 sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principle 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.

(I.) (Continued)

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than August 1, and became a lien on July 5, 2016. Taxes are collected during the period August 1 to February 28.

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

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.

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.

(I.) (Continued)

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.

Investments are stated at fair value.

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.

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.

(I.) (Continued)

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. A capitalization threshold of \$1,000 is used to report capital assets. The range of 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>
Buildings	\$ 50,000	SL	25-50 Years
Improvements	\$ 5,000	SL	20-50 Years
Machinery & Equipment	\$ 1,000	SL	3-20 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 and vacation.

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

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.

(I.) (Continued)

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.

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. Unamortized Bond Premiums

Bond premiums are amortized over the term of the respective bond issues for the Governmental activities on the full accrual basis. In the governmental funds, bond premiums are reported in the Debt Service fund as revenue in the year that the bonds are issued.

S. Short-Term Debt

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

(I.) (Continued)

T. 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, construction or improvement 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 restricted for other purposes:

	<u>Total</u>
Workers' Compensation	\$ 356,209
Unemployment	347,489
Tax Certiorari	853,791
Repair	685,207
Liability	30,163
Insurance	243,078
Employee Benefits Accrued Liability	714,362
Permanent Fund	120,283
Special Aid	33,330
Miscellaneous Special Revenue	<u>35,475</u>
Total Net Position - Restricted for Other Purposes	<u>\$ 3,419,387</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:

- 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 consists of \$55,847 for inventory in the school lunch fund and \$115,645 of endowment principle in the permanent fund.

(I.) (Continued)

- 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.

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.

Insurance Reserve - According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriation, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

(I.) (Continued)

Liability Reserve - According to General Municipal Law §1709(8)(c), must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater.

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 to finance 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.

(I.) (Continued)

Workers' Compensation Reserve - According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

Restricted fund balances include the following:

General Fund -

Capital	\$ 2,284,332
Employee Benefit Accrued Liability	714,362
Insurance	243,078
Liability	30,163
Repairs	685,207
Retirement Contribution	1,336,819
Tax Certiorari	853,791
Unemployment Insurance	347,489
Workers' Compensation	356,209

Miscellaneous Special Revenue Fund -

Fund Balance	35,475
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Permanent Fund -

Fund Balance	4,638
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Debt Service Fund -

Debt Service	1,183,047
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Total Restricted Funds \$ 8,074,610

The District appropriated and/or budgeted funds from the following reserves for the 2017-18 budget:

Employee Benefit Accrued Liability	\$ 250,000
Unemployment Insurance	25,000
Tax Certiorari	773,000
Workers' Compensation	240,000
Insurance	240,142
Repair	100,000
Retirement Contribution	725,000
Total	<u><u>\$ 2,353,142</u></u>

- 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.

(I.) (Continued)

- 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.

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.

Assigned fund balances include the following:

General Fund-Encumbrances	\$	6,659
General Fund-Appropriated for Taxes		500,000
School Lunch Fund-Year End Equity		689,640
Total Assigned Fund Balance	\$	<u>1,196,299</u>

- 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.

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)

U. 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:

GASB 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.

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

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

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

V. 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 are adopted at the program line item level.

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. No supplemental appropriations were made during the 2016-2017 fiscal year.

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.

C. Deficit Net Position

The District-wide net position was a deficit at June 30, 2017 of \$273,068. The deficit is the result of the implementation of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", which required the recognition of an unfunded liability of \$58,070,934 at June 30, 2017. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

(II.) (Continued)

D. Deficit Fund Balance

Capital Projects Fund

The Capital Projects Fund had a deficit undesignated fund balance of \$4,034,353 at June 30, 2017, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

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	-0-
Collateralized with securities held by the pledging financial institution	14,519,211
Collateralized within Trust department or agent	-0-
Total	<u><u>\$ 14,519,211</u></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 \$10,156,557 within the governmental funds and \$817,983 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.

(IV.) (Continued)

<u>Investment</u>	<u>Fund</u>	<u>Carrying Amount</u>	<u>Investment Gain/(Loss)</u>	<u>Type of Investment</u>	<u>Category</u>
Certificate of Deposit	Agency	\$ 30,576	\$ 229	Certificate of Deposit	A
Aqua America, Inc.	Permanent	\$ 4,576	\$ 17,069	650 Shares of Stock	A
Techne Corp.	Permanent	\$ 12,700	\$ 81,300	800 Shares of Stock	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>Special Aid Fund</u>	<u>School Lunch Funds</u>	
Accounts Receivable	\$ 75,094	\$ 123	\$ 6,541	\$ 81,758
Due From State and Federal	1,820,789	283,983	65,022	2,169,794
Due From Other Governments	72,438			72,438
Overdue Taxes	568,673			568,673
Due From Agency Fund	76,470			76,470
Total	\$ 2,613,464	\$ 284,106	\$ 71,563	\$ 2,969,133

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	\$ 637,549	\$ 97,710	\$ 7,775	\$ 189,984
Special Aid Fund	52,830	616,104	52,818	
School Lunch Fund	50,759	21,625		
Debt Service Fund	65,854		24,515	
Capital Fund		72,929	125,166	31,590
Misc. Special Revenue	2,862	1,486	12,000	700
Total government activities	\$ 809,854	\$ 809,854	\$ 222,274	\$ 222,274

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.

(VI.) (Continued)

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

VII. 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:				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 503,239			\$ 503,239
Work in progress	42,561,150	3,445,949	(42,739,348)	3,267,751
<i>Total Nondepreciable</i>	<u>\$ 43,064,389</u>	<u>\$ 3,445,949</u>	<u>\$ (42,739,348)</u>	<u>\$ 3,770,990</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 53,157,385	42,793,278		\$ 95,950,663
Machinery and equipment	4,836,504	760,624	(605,104)	4,992,024
<i>Total Depreciated Assets</i>	<u>\$ 57,993,889</u>	<u>\$ 43,553,902</u>	<u>\$ (605,104)</u>	<u>\$ 100,942,687</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 28,428,901	1,037,912		\$ 29,466,813
Machinery and equipment	3,252,861	385,573	(502,215)	3,136,219
<i>Total accumulated depreciation</i>	<u>\$ 31,681,762</u>	<u>\$ 1,423,485</u>	<u>\$ (502,215)</u>	<u>\$ 32,603,032</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 26,312,127</u>	<u>\$ 42,130,417</u>	<u>\$ (102,889)</u>	<u>\$ 68,339,655</u>
Total Capital Assets	<u>\$ 69,376,516</u>	<u>\$ 45,576,366</u>	<u>\$ (42,842,237)</u>	<u>\$ 72,110,645</u>

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

<u>Governmental Activities:</u>	
General government support	\$ 90,160
Instruction	1,125,273
Pupil transportation	190,449
School lunch	17,603
Total Depreciation Expense	<u>\$ 1,423,485</u>

VIII. Short-Term Debt

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

<u>Type</u>	<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/2017</u>
BAN	Construction	2017	1.01%	\$ 6,250,000		6,250,000	-0-
BAN	Construction	2018	2.00%		6,000,000		6,000,000
Total Short-Term Debt				\$ 6,250,000	6,000,000	\$ 6,250,000	6,000,000

A summary of the short-term interest expense for the year is as follows:

Interest paid	\$ 63,125
Less: interest accrued in the prior year	(1,211)
Plus: interest accrued in the current year	2,630
Total interest expense	\$ 64,544

IX. Long-Term Debt Obligations

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

<u>Governmental Activities:</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>	<u>Due Within One Year</u>
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 25,185,000	\$ 711,000	\$ 2,110,000	\$ 23,786,000	\$ 2,346,000
Unamortized Bond Premium	3,797,950		292,150	3,505,800	292,150
Total Bonds and Notes Payable	\$ 28,982,950	\$ 711,000	\$ 2,402,150	\$ 27,291,800	\$ 2,638,150
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 2,538,034	\$ 1,208,966	\$ 1,112,451	\$ 2,634,549	-0-
OPEB	49,389,002	8,681,932		58,070,934	-0-
Compensated Absences	2,806,904	\$ 39,389		2,846,293	186,922
Total Other Liabilities	\$ 54,733,940	\$ 9,930,287	\$ 1,112,451	\$ 63,551,776	\$ 186,922
Total Long-Term Obligations	\$ 83,716,890	\$ 10,641,287	\$ 3,514,601	\$ 90,843,576	\$ 2,825,072

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

(IX.) (Continued)

Existing serial and statutory bond obligations:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2017</u>
Serial Bonds -				
Buses	2012	2018	1.25-2%	110,000
Buses	2013	2019	1.625-2%	240,000
Buses	2016	2022	1.6-1.75%	711,000
Construction	2014	2029	2-5%	2,850,000
Construction	2014	2026	2-5%	19,875,000
Total Serial Bonds				<u>\$ 23,786,000</u>

The following is a summary of debt service requirements:

<u>Year</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,346,000	\$ 1,156,983
2019	2,350,000	1,046,637
2020	2,330,000	938,822
2021	2,435,000	827,216
2022	2,550,000	710,269
2023-2027	11,180,000	1,614,500
2028-2029	595,000	45,000
Total	<u>\$ 23,786,000</u>	<u>\$ 6,339,427</u>

Bond premiums associated with DASNY construction bonds issued during 2014 totaled \$4,382,250. These premiums are amortized over the life of the bonds (15 years) starting in the year ended June 30, 2015. Unamortized bond premiums at June 30, 2017 totaled \$3,505,800.

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

Interest paid	\$ 1,221,235
<u>Less:</u> interest accrued in the prior year	(44,381)
Bond premium amortization	(292,150)
BAN premium	(41,340)
<u>Plus:</u> interest accrued in the current year	59,783
Total interest expense	<u>\$ 903,147</u>

X. Deferred Inflows of Resources

The following is a summary of the deferred inflows of resources:

	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
Items related to the				
Retirement Systems	\$ 4,251,519	_____	\$ 3,489,304	762,215
Total Deferred Inflows of Resources	<u>\$ 4,251,519</u>	<u>-0-</u>	<u>\$ 3,489,304</u>	<u>\$ 762,215</u>

XI. 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 NYSTRS, 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.

(XI.) (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 were:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2017	\$ 647,257	\$ 2,451,548

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.

(XI.) (Continued)

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Net pension assets/(liability)	\$ (1,425,583)	\$ (1,208,966)
District's portion of the Plan's total net pension asset/(liability)	0.02%	0.11%

For the year ended June 30, 2017, the District recognized pension expenses of \$647,257 for ERS and \$2,451,548 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 35,724		\$ 216,483	\$ 392,740
Changes of assumptions	487,031	6,887,038		
Net difference between projected and actual earnings on pension plan investments	284,747	2,718,391		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	100,224	35,369	20,874	132,118
Subtotal	<u>\$ 907,726</u>	<u>\$ 9,640,798</u>	<u>\$ 237,357</u>	<u>\$ 524,858</u>
District's contributions subsequent to the measurement date	164,105	2,107,951		
Grand Total	<u><u>\$ 1,071,831</u></u>	<u><u>\$ 11,748,749</u></u>	<u><u>\$ 237,357</u></u>	<u><u>\$ 524,858</u></u>

District contributions subsequent to the measurement date 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	\$ -0-	\$ 824,290
2018	296,373	824,290
2019	296,373	2,935,467
2020	264,653	2,278,618
2021	(187,030)	1,036,069
Thereafter	-0-	1,217,206
Total	<u><u>\$ 670,369</u></u>	<u><u>\$ 9,115,940</u></u>

(XI.) (Continued)

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:

	<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%	4.72% - 1.90%
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:

(XI.) (Continued)

Long Term Expected Rate of Return

	<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%	-

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-percentage point lower (6% for ERS and 6.5% for TRS) or 1-percentage point higher (8% for ERS and 8.5% for TRS) than the current rate :

(XI.) (Continued)

<u>ERS</u>	1% Decrease (6%)	Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the net pension asset (liability)	\$ (4,553,028)	\$ (1,425,583)	\$ 1,218,667

<u>TRS</u>	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	\$ (15,773,705)	\$ (1,208,966)	\$ 11,007,174

H. Pension Plan Fiduciary Net Position

The components of the current year net pension asset/(liability) of the employer 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	\$ 108,577,184,039
Plan net position	168,004,363	107,506,142,099
Employers' net pension asset/(liability)	<u>\$ (9,396,223)</u>	<u>\$ (1,071,041,940)</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 \$214,833.

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 \$2,238,262.

XII. 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 \$2,006,903 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2015 which indicates that the total liability for other postemployment benefits is \$107,259,378.

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	\$ 12,223,961
Interest on net OPEB obligation	1,728,615
Adjustment to annual required contribution	<u>(3,146,202)</u>
Annual OPEB cost (expense)	\$ 10,806,374
Contributions made	<u>(2,124,442)</u>
Increase in net OPEB obligation	\$ 8,681,932
Net OPEB obligation - beginning of year	<u>49,389,002</u>
Net OPEB obligation - end of year	<u><u>\$ 58,070,934</u></u>

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 10,806,374	19.66%	\$ 58,070,934
6/30/2016	\$ 10,465,483	18.62%	\$ 49,389,002
6/30/2015	\$ 9,930,297	18.50%	\$ 40,872,375

(XII.) (Continued)

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$107,259,378, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability of \$107,259,378. The covered payroll (annual payroll of active employees covered by the plan) was \$23,241,106, and the ratio of the UAAL to the covered payroll was 461.51%.

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, 2015 actuarial valuation, the Projected Unit Credit method was used. The actuarial assumptions included a 3.5% 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 7.5% initially, reduced by decrements to an ultimate rate of 3.84% after 69 years. Both rates included a 2.2% inflation assumption. 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 22 years.

XIII. 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.

(XIII.) (Continued)

B. Health Insurance

The District participates in the BOCES sponsored Cooperative Health Insurance Fund of Central New York, a non-risk-retained public entity risk pool for its employees health insurance coverage. The pool is operated for the benefit of the 25 individual governmental units located within the pool's geographic area. The District pays monthly premiums to the Plan for this health insurance coverage. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

C. Workers' Compensation

The District is a member of the Onondaga-Cortland-Madison BOCES Workers' Compensation Consortium (the Plan). Current membership of the Plan includes participants from various municipal entities. The Plan is administered by Onondaga-Cortland-Madison BOCES and utilizes a third party administrator who is responsible for processing claims, estimating liabilities and providing actuarial services. The Plan participants are charged an annual assessment which is allocated in light of comparative experience and relative exposure based on the estimated total liability of the participating members actuarially computed each year.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. During the year ended June 30, 2017, the District incurred premiums or contribution expenditures totaling \$213,479.

D. 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 \$26,283. The balance of the reserve at June 30, 2017 was \$347,489 and is recorded in the General Fund as 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.

XIV. Commitments and Contingencies

A. Litigation

There is no litigation pending against the District as of the balance sheet date.

(XIV.) (Continued)

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.

XV. Lease Commitments and Leased Assets

The District leases buses under the terms of four lease financing agreements. The District has the option to take title to the buses at the end of the lease, or continue or cancel the lease. Payments are for five years at an interest rate of 2.3% and 2.7%, respectively, with a residual payment if the District decides to take title to the equipment. At June 30, 2017, the District does not plan on taking title to the buses at lease end. Lease expense for the year ended June 30, 2017 was \$168,411.

Minimum annual lease payments for each of the remaining years of the lease are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2018	\$ 168,411
2019	\$ 168,411
2020	\$ 90,123
Residual	\$ 363,500

XVI. Subsequent Event

On August 15, 2017 the District issued bonds in the amount of \$500,000 for the purchase of buses at a rate of 1.875% - 2.0% and total cost of \$530,337 over five years.

XVII. Donor-Restricted Endowments

The District administers endowment funds, which are restricted by the donor for the purposes of District libraries.

Donor-restricted endowments are reported at fair value. The amount of net appreciation on investments of donor-restricted endowments that is available for authorization for expenditures by the District is \$98,369.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

XVIII. Tax Abatement

The County of Cortland IDA and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result, the District's property tax revenue was reduced \$253,267. The District received payment in lieu of tax (PILOT) payment totaling \$153,258 to help offset the property tax reduction. The District also received additional PILOT revenue of \$-0- from tax exempt properties.

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

Actuarial Valuation Date	(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)
June 30, 2017	\$ -0-	\$ 107,259,378	0.00%	\$ 107,259,378	\$ 23,241,106	461.51%
2016	\$ -0-	\$ 95,596,972	0.00%	\$ 95,596,972	\$ 21,850,735	437.50%
2015	\$ -0-	\$ 89,025,552	0.00%	\$ 89,025,552	\$ 22,115,025	402.56%
2014	\$ -0-	\$ 86,780,961	0.00%	\$ 86,780,961	\$ 21,450,388	404.57%
2013	\$ -0-	\$ 81,063,428	0.00%	\$ 81,063,428	\$ 20,625,424	393.03%
2012	\$ -0-	\$ 65,900,601	0.00%	\$ 65,900,601	\$ 20,217,636	325.96%
2011	\$ -0-	\$ 61,898,974	0.00%	\$ 61,898,974	\$ 19,906,190	310.95%
2010	\$ -0-	\$ 46,440,142	0.00%	\$ 46,440,142	\$ 21,954,633	211.53%
2009	\$ -0-	\$ 43,469,010	0.00%	\$ 43,469,010	\$ 21,570,434	201.52%

Required Supplementary Information
CORTLAND ENLARGED CITY 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)	0.0152%	0.0158%	0.0156%
Proportionate share of the net pension liability (assets)	\$ 1,425,583	\$ 2,538,034	\$ 428,173
Covered-employee payroll	\$ 4,587,530	\$ 4,416,615	\$ 4,196,188
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	31.075%	57.466%	12.587%
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)	0.1129%	0.1106%	0.1119%
Proportionate share of the net pension liability (assets)	\$ 1,208,966	\$ (11,490,559)	\$ (12,464,165)
Covered-employee payroll	\$ 17,984,187	\$ 17,551,132	\$ 16,808,753
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	6.722%	-65.469%	-74.153%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

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

NYSERS Pension Plan Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 647,257	\$ 767,850	\$ 791,786
Contributions in relation to the contractually required contribution	<u>(647,257)</u>	<u>(767,850)</u>	<u>(791,786)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered-employee payroll	\$ 4,587,530	\$ 4,416,615	\$ 4,196,188
Contributions as a percentage of covered-employee payroll	14.11%	17.39%	18.87%

NYSTRS Pension Plan Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,309,646	\$ 2,913,063	\$ 2,685,851
Contributions in relation to the contractually required contribution	<u>(2,309,646)</u>	<u>(2,913,063)</u>	<u>(2,685,851)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered-employee payroll	\$ 17,984,187	\$ 17,551,132	\$ 16,808,753
Contributions as a percentage of covered-employee payroll	12.84%	16.60%	15.98%

Required Supplementary Information
CORTLAND ENLARGED CITY 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 and tax items	\$ 17,246,932	\$ 17,246,932	\$ 17,190,421	\$ (56,511)
Charges for services	158,785	158,785	186,805	28,020
Use of money and property	54,750	54,750	67,077	12,327
Sale of property and compensation for loss	6,500	6,500	143,405	136,905
Miscellaneous	347,000	347,000	825,750	478,750
State Sources -				
Basic formula	16,011,489	16,011,489	15,630,103	(381,386)
Excess cost aid	4,699,945	4,699,945	4,810,223	110,278
Lottery aid	4,073,369	4,073,369	4,073,369	-0-
BOCES	2,067,800	2,067,800	2,071,849	4,049
Textbooks	150,600	150,600	150,600	-0-
All Other Aid -				
Computer software	91,207	91,207	91,207	-0-
Library loan	17,231	17,231	17,231	-0-
Other aid	74,568	74,568	134,207	59,639
Federal Sources	<u>100,000</u>	<u>100,000</u>	<u>82,810</u>	<u>(17,190)</u>
TOTAL REVENUES	<u>\$ 45,100,176</u>	<u>\$ 45,100,176</u>	<u>\$ 45,475,057</u>	<u>\$ 374,881</u>
Other Sources -				
Transfer - in			<u>\$ 7,775</u>	<u>\$ 7,775</u>
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 45,100,176</u>	<u>\$ 45,100,176</u>	<u>\$ 45,482,832</u>	<u>\$ 382,656</u>
Appropriated reserves	<u>\$ 3,976,711</u>	<u>\$ 3,976,711</u>		
Appropriated fund balance	<u>\$ 500,000</u>	<u>\$ 500,000</u>		
Prior year encumbrances	<u>\$ -</u>	<u>\$ 30,621</u>		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	<u>\$ 49,576,887</u>	<u>\$ 49,607,508</u>		

Required Supplementary Information
CORTLAND ENLARGED CITY 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>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balances</u>
EXPENDITURES					
General Support -					
Board of education	\$ 39,604	\$ 49,730	\$ 32,378		\$ 17,352
Central administration	234,203	230,512	218,262		12,250
Finance	560,165	462,359	403,112		59,247
Staff	156,329	147,124	103,423		43,701
Central services	2,939,006	3,604,923	3,440,722	250	163,951
Special items	421,400	584,680	564,751		19,929
Instructional -					
Instruction, administration and improvement	1,972,430	1,921,334	1,836,543		84,791
Teaching - regular school	12,518,907	12,627,246	12,411,304	4,475	211,467
Programs for children with handicapping conditions	6,506,525	6,326,470	6,025,795		300,675
Occupational education	930,000	875,000	870,033		4,967
Teaching - special schools	253,720	135,056	118,166		16,890
Instructional media	2,052,952	2,389,948	2,281,953	1,885	106,110
Pupil services	2,417,987	2,335,830	2,180,630	49	155,151
Pupil Transportation	1,314,201	1,315,343	1,296,685		18,658
Civic Activities		5,000	240		4,760
Employee Benefits	13,304,812	12,503,521	11,783,382		720,139
Debt service - principal	2,528,411	2,528,411	2,360,000		168,411
Debt service - interest	1,281,235	1,284,360	1,284,360		-0-
TOTAL EXPENDITURES	<u>\$ 49,431,887</u>	<u>\$ 49,326,847</u>	<u>\$ 47,211,739</u>	<u>\$ 6,659</u>	<u>\$ 2,108,449</u>
Other Uses -					
Transfers - out	\$ 145,000	\$ 280,661	\$ 189,984		\$ 90,677
TOTAL EXPENDITURES AND					
OTHER USES	<u>\$ 49,576,887</u>	<u>\$ 49,607,508</u>	<u>\$ 47,401,723</u>	<u>\$ 6,659</u>	<u>\$ 2,199,126</u>
EXCESS (DEFICIENCY) OF REVENUE					
AND OTHER FINANCING SOURCES					
OVER EXPENDITURES AND OTHER					
FINANCING USES			\$ (1,918,891)		
FUND BALANCE, BEGINNING OF YEAR			<u>9,636,993</u>		
FUND BALANCE, END OF YEAR			<u>\$ 7,718,102</u>		

Note to Required Supplementary Information:

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

Supplementary Information
CORTLAND ENLARGED CITY 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		\$ 49,576,887
Prior year's encumbrances		30,621
FINAL BUDGET		\$ 49,607,508

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2017-18 voter approved expenditure budget		\$ 49,576,887
<u>Unrestricted fund balance:</u>		
Assigned fund balance	\$ 506,659	
Unassigned fund balance	359,993	
Total Unrestricted fund balance	\$ 866,652	
<u>Less adjustments:</u>		
Appropriated fund balance	\$ 500,000	
Encumbrances included in assigned fund balance	6,659	
Total adjustments	\$ 506,659	
General fund fund balance subject to Section 1318 of Real Property Tax Law		359,993
ACTUAL PERCENTAGE		0.73%

Supplementary Information
CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
June 30, 2017

<u>Project Title</u>	<u>Original</u>		<u>Expenditures</u>			<u>Unexpended</u>	<u>Methods of Financing</u>					<u>Fund</u>
	<u>Appropriation</u>	<u>Revised</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>		<u>Obligations</u>	<u>Local</u>	<u>State</u>	<u>Transfers</u>	<u>Total</u>	
16-17 Buses	\$ 711,000	\$ 711,000		\$ 643,580	\$ 643,580	\$ 67,420	\$ 711,000			\$ (24,515)	\$ 686,485	\$ 42,905
High School Repairs	100,000	100,000		92,925	92,925	7,075		100,000		(7,075)	92,925	-0-
District-wide Energy Performance Contract	6,250,000	6,250,000	1,059,507	3,267,751	4,327,258	1,922,742		250,000			250,000	(4,077,258)
District-wide Capital Improvement Project	41,640,000	41,890,000	41,890,277	85,273	41,975,550	(85,550)	31,850,000	7,550,000	2,436,796	138,754	41,975,550	-0-
TOTAL	\$ 48,701,000	\$ 48,951,000	\$ 42,949,784	\$ 4,089,529	\$ 47,039,313	\$ 1,911,687	\$ 32,561,000	\$ 7,900,000	\$ 2,436,796	\$ 107,164	\$ 43,004,960	\$ (4,034,353)

Supplementary Information
CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK
Combined Balance Sheet - Nonmajor Governmental Funds
June 30, 2017

	Miscellaneous		Total
	Special	Permanent	Nonmajor
	Revenue	Fund	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents - restricted	\$ 35,238	\$ 4,638	\$ 39,876
Due from other funds	2,862		2,862
Investments		115,645	115,645
TOTAL ASSETS	<u>\$ 38,100</u>	<u>\$ 120,283</u>	<u>\$ 158,383</u>
 LIABILITIES AND FUND BALANCES			
<u>Liabilities</u> -			
Accounts payable	\$ 1,139		\$ 1,139
Due to other funds	1,486		1,486
TOTAL LIABILITIES	<u>\$ 2,625</u>	<u>\$ -0-</u>	<u>\$ 2,625</u>
 <u>Fund Balances</u> -			
Nonspendable		\$ 115,645	\$ 115,645
Restricted	35,475	4,638	40,113
TOTAL FUND BALANCE	<u>\$ 35,475</u>	<u>\$ 120,283</u>	<u>\$ 155,758</u>
TOTAL LIABILITIES AND			
FUND BALANCES	<u>\$ 38,100</u>	<u>\$ 120,283</u>	<u>\$ 158,383</u>

Supplementary Information
CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK
Combined Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2017

	Miscellaneous		Total
	Special	Permanent	Nonmajor
	Revenue	Fund	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
REVENUES			
Use of money and property		\$ 3,772	\$ 3,772
Miscellaneous	9,061		9,061
TOTAL REVENUES	\$ 9,061	\$ 3,772	\$ 12,833
EXPENDITURES			
Instruction	18,452		\$ 18,452
TOTAL EXPENDITURES	\$ 18,452	\$ -0-	\$ 18,452
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	\$ (9,391)	\$ 3,772	\$ (5,619)
OTHER FINANCING SOURCES (USES)			
Transfers - in	\$ 12,000		\$ 12,000
Transfers - out	(700)		(700)
TOTAL OTHER FINANCING			
SOURCES (USES)	\$ 11,300	\$ -0-	\$ 11,300
EXCESS (DEFICIENCY) OF REVENUES			
AND OTHER FINANCING SOURCES			
OVER EXPENDITURES AND OTHER			
FINANCING USES	\$ 1,909	\$ 3,772	\$ 5,681
FUND BALANCE, BEGINNING OF YEAR	33,566	116,511	150,077
FUND BALANCE, END OF YEAR	\$ 35,475	\$ 120,283	\$ 155,758

Supplementary Information
CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2017

Capital assets, net		\$ 72,110,645
Deduct:		
Short-term portion of bonds payable	\$ 2,346,000	
Long-term portion of bonds payable	21,440,000	
BAN payable	6,000,000	
Other short or long-term debt related to capital assets	<u>3,505,800</u>	(33,291,800)
Add:		
Unspent debt		<u>1,965,647</u>
Net Investment in Capital Assets		<u><u>\$ 40,784,492</u></u>

Supplementary Information
CORTLAND ENLARGED CITY SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Agency</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-17-0560	587,545
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-16-0560	87,135
Title I - Grants to Local Educational Agencies	84.010	N/A	0011-17-2040	76,862
Title I - Grants to Local Educational Agencies	84.010	N/A	0011-16-2036	57,888
Total Title I, Part A Cluster				<u>809,430</u>
<u>Special Education Cluster -</u>				
Special Education - Grants to States	84.027	N/A	0032-17-0152	749,630
Special Education - Grants to States	84.027	N/A	0032-16-0152	425
Special Education - Preschool Grants	84.173	N/A	0033-17-0152	34,819
Total Special Education Cluster				<u>784,874</u>
Rural Education	84.358	N/A	0006-16-0560	8,834
Rural Education	84.358	N/A	0006-17-0560	37,985
Total Rural Education				<u>46,819</u>
Race-to-the-Top - District Grants	84.395	N/A	5500-15-0560	5,176
Total Rural Education				<u>5,176</u>
Improving Teacher Quality State Grants	84.367	N/A	0147-17-0560	191,318
Improving Teacher Quality State Grants	84.367	N/A	0147-16-0560	51,549
Total Improving Teacher Quality State Grants				<u>242,867</u>
Total U.S. Department of Education				<u>\$ 1,889,166</u>
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Child Nutrition Cluster -</u>				
National School Lunch Program-Cash Assistance	10.555	N/A	5546	\$ 629,016
National School Lunch Program-Snack	10.555	N/A	5546	6,389
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	5546	114,561
National School Breakfast Program	10.553	N/A	5546	204,067
National Summer Food Service Program	10.559	N/A	5546	60,013
Total U.S. Department of Agriculture				<u>\$ 1,014,046</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,903,212</u>

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
Cortland Enlarged City 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 Cortland Enlarged City 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 Cortland Enlarged City School District, New York's basic financial statements, and have issued our report thereon dated September 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cortland Enlarged City 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 Cortland Enlarged City School District, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of Cortland Enlarged City 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.

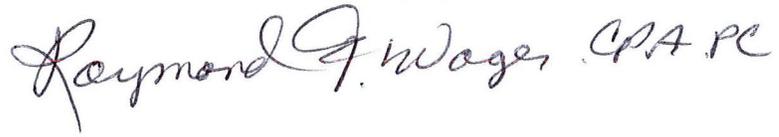
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Cortland Enlarged City 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.

A handwritten signature in black ink that reads "Raymond F. Wager, CPA, P.C." The signature is written in a cursive style.

September 17, 2017