

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

*COMPREHENSIVE ANNUAL
FINANCIAL REPORT*

FOR THE YEAR ENDED JUNE 30, 2018

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION

AND ANALYSIS (UNAUDITED)

JUNE 30, 2018

As management of the Enlarged City School District of Troy, New York, we offer the reader of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2018. We encourage readers to consider the information presented here, in conjunction with information provided in the financial statements. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position decreased by \$4,437,888 and \$2,270,014 during the course of 2018 and 2017, respectively, primarily due to the increased postemployment benefits as required by the implementation of GASB 75.
- District-wide revenues were \$114,433,818 and \$112,983,757 for 2018 and 2017, respectively; district wide expenditures were \$118,871,706 and \$115,253,771 for 2018 and 2017, respectively.
- General fund revenues were less than general fund expenditures by \$867,885 and exceeded expenditures by \$2,758,261 for the years ended June 30, 2018 and 2017, respectively.
- General fund equity was \$22,698,549 at June 30, 2018 as compared to \$23,566,434 at June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the entity-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

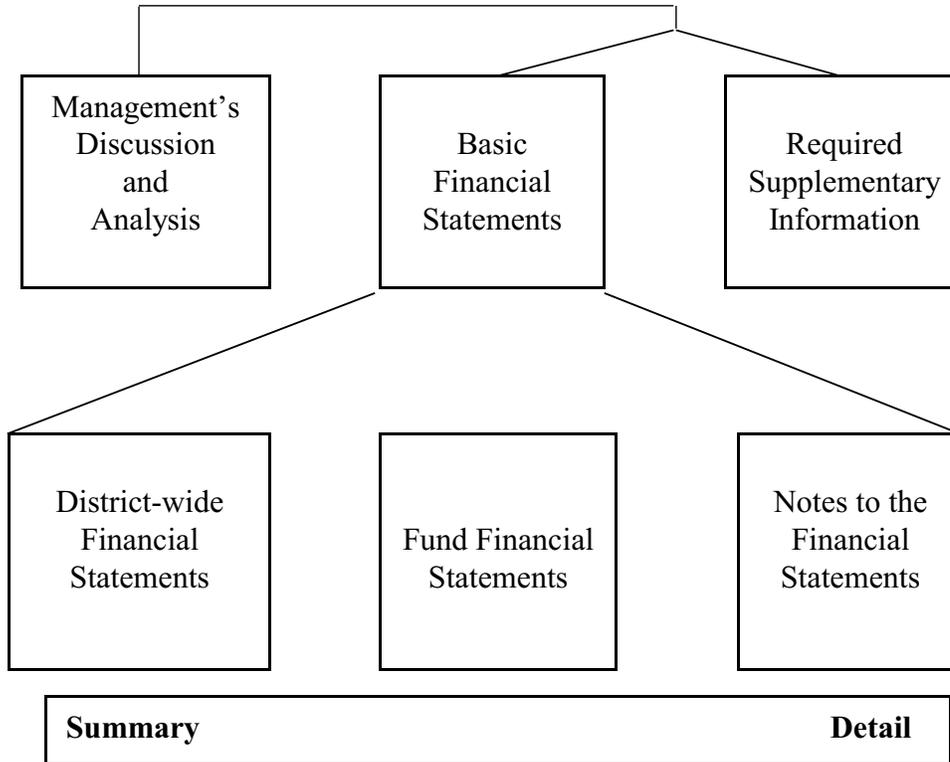
The financial statements also include notes that provide additional information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another. Table A-2 summarizes the major features of the financial statements.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)(CONTINUED)

JUNE 30, 2018

Table A-1: Organization of the Enlarged City School District of Troy, New York's Annual Financial Report



ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

Table A-2: Summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the Entity-wide and Fund Financial Statements

<u>Description</u>	<u>Entity-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental</u>	<u>Fiduciary</u>
1. Scope	Entire district (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
2. Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
3. Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
4. Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they can
5. Type of inflow and outflow information	All revenues and expenses during year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The district-wide financial statements can be found on pages 14-15 of this report.

FUND FINANCIAL STATEMENTS

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

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information in the reconciliation section of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or *fiduciary* for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

The fund financial statements can be found on pages 16-19 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows were less than liabilities and deferred inflows by \$77,199,237 at June 30, 2018 primarily due to the full recognition of the District's other postemployment liability in accordance with GASB 75. We refer you to the notes to the financial statements for more detailed information.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

**Table A-3: Condensed Statement of Net Position - Governmental Activities
(in millions)**

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Percentage Change
Current and Other Assets	\$ 53.0	\$ 53.2	\$ (.2)	(.4%)
Capital Assets	121.5	118.0	3.5	3.0%
Pension Assets, Net	1.6	-	1.6	
Total Assets	<u>176.1</u>	<u>171.2</u>	<u>4.9</u>	
Deferred Outflows	<u>23.1</u>	<u>23.2</u>	<u>(.1)</u>	(0.4%)
Current Liabilities	29.3	12.8	16.5	128.9%
Long-term Debt Outstanding	<u>233.8</u>	<u>151.8</u>	<u>82.0</u>	54.0%
Total Liabilities	<u>263.1</u>	<u>164.6</u>	<u>98.5</u>	59.8%
Deferred Inflows	<u>13.3</u>	<u>7.6</u>	<u>5.7</u>	75.0%
Investment in Capital Assets, Net of Related Debt	60.6	32.3	28.3	87.6%
Restricted	14.7	8.9	5.8	65.2%
Reduction of Future Property Taxes	5.5	12.4	(6.9)	(55.6%)
Unassigned Deficit	<u>(158.0)</u>	<u>(31.4)</u>	<u>(126.6)</u>	403.2%
Total Net Position	<u>\$ (77.2)</u>	<u>\$ 22.2</u>	<u>\$ (99.4)</u>	

CHANGES IN NET POSITION

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements and furniture and equipment), less any related debt (serial bonds payable) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to students, employees and creditors.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

**Table A-4: Changes in Net Position from Operating Results
Governmental Activities Only**

	Fiscal Year 2018	Fiscal Year 2017	Increase/ Decrease	Percentage Change
Changes in Net Position from Operating Results				
Program Revenues:				
Charges for Services	\$ 992,068	\$ 1,137,064	\$ (144,996)	(12.8%)
Operating Grants	12,266,261	10,842,852	1,423,409	13.1%
General Revenues:				
Real Property & Utility Taxes	39,185,602	38,679,627	505,975	1.3%
Use of Money and Property	178,562	220,116	(41,554)	(18.9%)
Miscellaneous	815,122	1,985,578	(1,170,456)	(58.9%)
State Sources	60,654,920	59,638,849	1,016,071	1.7%
Federal Sources	341,283	479,671	(138,388)	(28.9%)
Total Revenues	<u>114,433,818</u>	<u>112,983,757</u>	<u>1,450,061</u>	<u>1.3%</u>
Expenses:				
General Support	10,137,404	11,409,012	(1,271,608)	(11.1%)
Instruction	65,484,427	61,673,888	3,810,539	6.2%
Pupil Transportation	6,148,168	4,683,578	1,464,590	31.3%
Employee Benefits	27,880,160	28,306,929	(426,769)	(1.5%)
Interest and Other Debt Expense	2,825,558	2,448,898	376,660	15.4%
Other	2,189,766	2,544,249	(354,483)	(13.9%)
Depreciation - Unallocated	<u>4,206,223</u>	<u>4,187,217</u>	<u>19,006</u>	<u>.5%</u>
Total Expenses	<u>118,871,706</u>	<u>115,253,771</u>	<u>3,617,935</u>	<u>3.1%</u>
Change in Net Position	<u><u>\$(4,437,888)</u></u>	<u><u>\$(2,270,014)</u></u>	<u><u>\$(2,167,874)</u></u>	<u><u>(95.5%)</u></u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

Table A-5: Sources of Revenue for Fiscal Year 2018

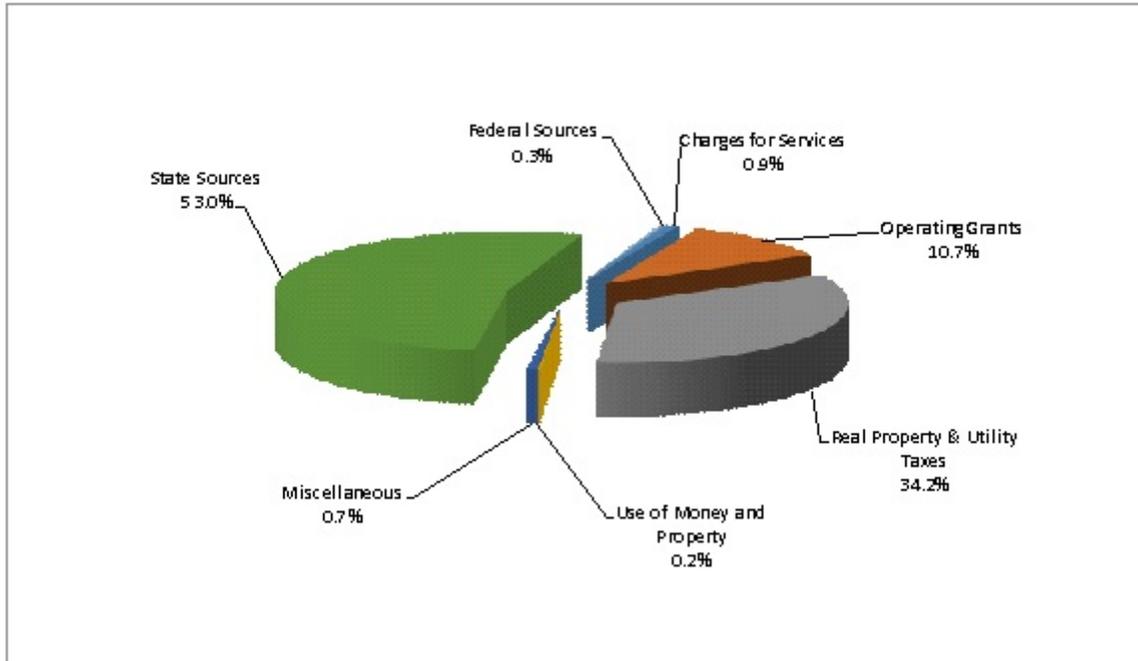
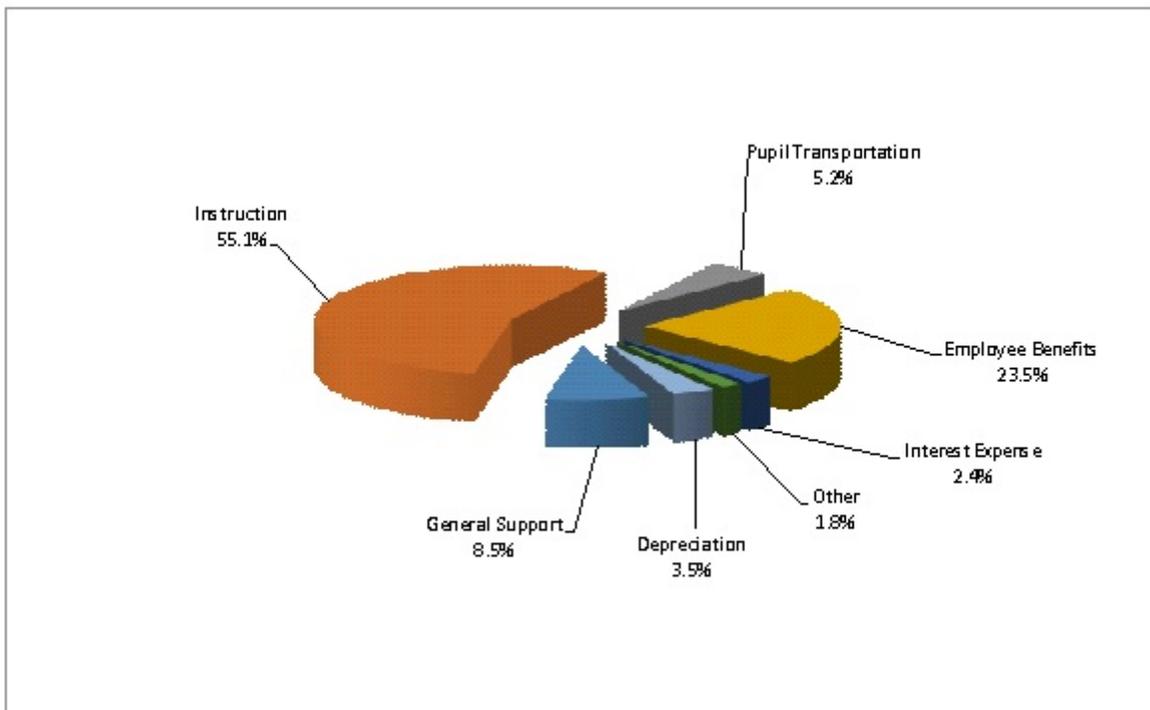


Table A-6: Expenses for Fiscal Year 2018



ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

GOVERNMENTAL FUNDS

Financial Analysis of the District's Funds - As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The District has designated portions of the reserved fund balance to earmark resources for certain governmental funds. The unreserved fund balance is divided between designated and undesignated balances. The District has designated a portion of the unreserved fund balance for subsequent year's expenditures. Fund balance of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

General Fund - The general fund is the chief operating fund of the District. Financial highlights include:

Total General Fund revenues for 2017-2018 were \$102,773,094 a decrease of .2% from 2016-2017. The key factors in this decrease was a slight reduction in real estate tax collections and the planned use of the tax certiorari reserve.

Total General Fund expenditures for 2017-2018 were \$103,376,192, an increase of 7.6% from 2016-2017. The key factors in this increase were higher instructional and employee benefits expenditures and the repayment of \$3 million in bond anticipation note indebtedness.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 MANAGEMENT'S DISCUSSION
 AND ANALYSIS (UNAUDITED) (CONTINUED)
 JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2018, the District had invested \$121,543,722 net of depreciation of \$70,544,146, in a broad range of capital assets, including school buildings, transportation facility, administrative buildings, athletic facilities, computer and audio-visual equipment and buses. This amount represents an increase of \$3,523,639 from fiscal year-end 2017 (more detailed information about capital assets can be found in Note 2. A.IV. to the financial statements). Total depreciation expense for the year was \$4,206,223, while equipment acquisitions and additional construction on capital projects, net of disposals, amounted to \$7,729,862 during the year.

The following table reflects the total net cost of various building renovations and additions, technology and equipment expenditures through the end of fiscal year 2018 and 2017:

**Table A-7: Capital Assets, Net of Depreciation
(in millions)**

Category	Fiscal Year-End <u>2018</u>	Fiscal Year-End <u>2017</u>
Land and Land Improvements	\$ 3.0	\$ 3.0
Construction in Progress	74.3	67.0
Buildings	43.0	45.9
Machinery, Equipment and Vehicles	<u>1.2</u>	<u>2.1</u>
Total	<u>\$ 121.5</u>	<u>\$ 118.0</u>

Short-Term Debt

The District borrowed \$13,000,000 in bond anticipation notes in June 2018 to fund the outstanding capital projects. More detailed information about the District's short-term debt is presented in Note 2.B III to the Financial Statements.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

Long-Term Debt

At year-end June 30, 2018 the District had \$60,819,550 million in general obligation and \$178,734,445 million in other long-term debt outstanding after the adoption of GASB 75 requiring districts to go to full accrual on their postemployment benefit liability for 2018. More detailed information about the District's long-term liabilities is presented in Note 2. B.III. to the Financial Statements.

Table A-8: Outstanding Long-Term Debt

Category	Fiscal Year-End <u>2018</u>	Fiscal Year-End <u>2017</u>
Serial and Statutory Installment Bonds	\$ 60,819,550	\$ 66,284,550
Compensated Absences	3,787,479	3,644,100
Other Postemployment Benefits	174,183,940	71,204,127
Pension Liability	<u>763,026</u>	<u>4,451,774</u>
	<u>\$ 239,553,995</u>	<u>\$ 145,584,551</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

The District is dependent on the State of New York for state aid, historically in the 50-60% range of all revenues. Should aid be reduced as a result of the State being in a deficit situation or compelled to send a larger portion of aid to New York City, the effect will be felt in the District. At this time the District must appropriate over five million dollars to cover the cost of District charter school students. Significant financial stress will be placed on the District's financial health unless changes are made in the way charter schools are financed. The continuing increases in health insurance, utilities and pension costs cause funds to be diverted from sound educational programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report contact:

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Attn: Assistant Superintendent for Business
475 1st Street
Troy, New York 12180
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MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Enlarged City School District of Troy, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Enlarged City School District of Troy, New York (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedules of funding progress - other postemployment plans, proportionate share of net pension assets/liabilities and district contributions - pension plans, on pages 1-10 and 53-57 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.

Emphasis of Matter

As discussed in Note 1 X to the financial statements, the District adopted new guidance for reporting other postemployment benefits which resulted in a restatement to the July 1, 2017 net position. Our opinion is not modified with respect to this matter.

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 other supplemental information on pages 58-62 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 69 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplemental information on pages 58-62 and the schedule of expenditures of federal awards on page 69 are the responsibility of management and were derived from and relate 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 11, 2018

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS

Current Assets:	
Unrestricted Cash	\$ 18,622,599
Restricted Cash	21,231,280
Taxes Receivable	4,059,224
State and Federal Aid Receivable	8,182,163
Due from Other Governments	845,718
Accounts Receivable	34,915
Inventories	34,698
Total Current Assets	<u>53,010,597</u>
Capital Assets, Net	121,543,722
Net Pension Assets	<u>1,591,127</u>
Total Assets	<u>176,145,446</u>
Deferred Outflows, Pension and OPEB	<u>23,096,789</u>
Total Assets and Deferred Outflows	<u>\$ 199,242,235</u>

LIABILITIES AND DEFERRED INFLOWS

Current Liabilities:	
Accounts Payable	\$ 3,713,780
Accrued Liabilities	2,536,897
Due to Other Governments	997
Due to Fiduciary Funds	2,370
Accrued Interest	383,204
Due to Teachers' Retirement System	3,667,723
Due to Employees' Retirement System	279,173
Bond Anticipation Notes Payable	13,000,000
Overpayments and Collections in Advance	7,594
Unearned Revenue	<u>5,740,000</u>
Bonds Due and Payable within One Year	29,331,738
Total Current Liabilities	
Long-term Liabilities:	55,079,550
Bonds	3,787,479
Compensated Absences	174,183,940
Other Postemployment Benefits	<u>763,026</u>
Net Pension Liability	<u>263,145,733</u>
Total Liabilities	
Deferred Inflows:	
Deferred Inflows, Pension	7,066,384
Deferred Inflows, Unamortized Bond Premium	<u>6,229,355</u>
Total Deferred Inflows	<u>13,295,739</u>
Total Liabilities and Deferred Inflows	<u>276,441,472</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	60,609,511
Restricted for:	
Debt	4,548,602
Other Reserves	10,194,888
Unassigned:	
Reduction of Future Property Taxes	5,450,000
Unassigned Deficit	<u>(158,002,238)</u>
Total Net Position	<u>(77,199,237)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 199,242,235</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Expenses and Change Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Functions/Programs:				
General Support	\$ 10,137,404	\$ -	\$ 145,533	\$ 9,991,871
Instruction	65,484,427	931,962	9,452,361	55,100,104
Pupil Transportation	6,148,168	-	-	6,148,168
Community Service	34,626	-	-	34,626
Employee Benefits	27,880,160	-	-	27,880,160
Debt Service - Interest and Other	2,825,558	-	-	2,825,558
Depreciation - Unallocated (includes direct expense of various functions and programs)	4,206,223	-	-	4,206,223
School Lunch Program	<u>2,155,140</u>	<u>60,106</u>	<u>2,668,367</u>	<u>(573,333)</u>
Total Functions and Programs	<u>\$ 118,871,706</u>	<u>\$ 992,068</u>	<u>\$ 12,266,261</u>	<u>105,613,377</u>
General Revenues:				
Real Property Taxes				32,546,829
Other Tax Items				5,353,364
Nonproperty Taxes				1,285,409
Use of Money and Property				101,249
Sale of Property and Compensation for Loss				77,313
State Aid				60,654,920
Federal Aid				341,283
Miscellaneous				<u>815,122</u>
Total General Revenues				<u>101,175,489</u>
Change in Net Position				(4,437,888)
Total Net Position, Beginning of Year, as Restated				<u>(72,761,349)</u>
Total Net Position, End of Year				<u>\$ (77,199,237)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS AND
RECONCILIATION TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Current Assets:			
Cash			
Unrestricted	\$ 16,965,204	\$ 1,657,395	\$ 18,622,599
Restricted	4,038,569	17,192,711	21,231,280
Receivables			
Taxes	4,059,224	-	4,059,224
Due from Other Funds	3,862,241	722,570	4,584,811
State and Federal Aid	3,722,218	4,459,945	8,182,163
Due from Other Governments	845,718	-	845,718
Other	34,915	-	34,915
Inventories	-	34,698	34,698
Total Assets	<u>\$ 33,528,089</u>	<u>\$ 24,067,319</u>	<u>\$ 57,595,408</u>
Current Liabilities:			
Payables			
Accounts Payable	\$ 1,518,539	\$ 2,195,241	\$ 3,713,780
Accrued Liabilities	2,536,897	-	2,536,897
Due to Other Funds	295,266	4,291,915	4,587,181
Due to Other Governments	193	804	997
Due to Teachers' Retirement System	3,667,723	-	3,667,723
Due to Employees' Retirement System	279,173	-	279,173
Bond Anticipation Notes Payable	-	13,000,000	13,000,000
Overpayments and Collections in Advance	7,594	-	7,594
Total Liabilities	<u>8,305,385</u>	<u>19,487,960</u>	<u>27,793,345</u>
Deferred Inflows of Resources:			
Uncollected Real Estate Taxes	<u>2,524,155</u>	<u>-</u>	<u>2,524,155</u>
Fund Balances:			
Nonspendable:			
Inventories	-	34,698	34,698
Restricted for:			
Workers' Compensation	2,137,896	-	2,137,896
Unemployment Insurance	151,451	-	151,451
Tax Certiorari	1,035,362	-	1,035,362
Employee Benefits Accrued Liabilities	1,370,179	-	1,370,179
Capital Reserve	4,500,000	-	4,500,000
Debt Service	-	4,548,602	4,548,602
Employee Retirement Reserve	1,000,000	-	1,000,000
Assigned for:			
General Support	623,641	-	623,641
Instruction	1,989,728	-	1,989,728
Other	23,349	-	23,349
Food Service	-	1,625,643	1,625,643
Appropriated for Subsequent Year's Expenditures	5,450,000	-	5,450,000
Unassigned:			
Unassigned (Deficit)	4,416,943	(1,629,584)	2,787,359
Total Fund Balance	<u>22,698,549</u>	<u>4,579,359</u>	<u>27,277,908</u>
Total Liability, Deferred Inflows and Fund Balance	<u>\$ 33,528,089</u>	<u>\$ 24,067,319</u>	<u>\$ 57,595,408</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances per above	\$ 27,277,908
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	121,543,722
Pension assets, including deferred outflows, inflows and pension liability.	16,812,590
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported in funds.	(64,607,029)
Deferral of charges for property taxes earned in the current year are recognized as revenue under full accrual accounting.	2,524,155
Other postemployment benefit liability is recognized as a liability under full accrual accounting, net of deferred outflows.	(174,138,024)
Interest payable in the district-wide statements under full accrual accounting.	(383,204)
Premium on bond borrowings is deferred in the district-wide financial statements under full accrual accounting.	<u>(6,229,355)</u>
Net Position of Governmental Activities	<u>\$ (77,199,237)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Real Property Taxes	\$ 33,070,799	\$ -	\$ 33,070,799
Other Tax Items	5,353,364	-	5,353,364
Nonproperty Taxes	1,285,409	-	1,285,409
Charges for Service	931,962	-	931,962
Use of Money and Property	94,757	6,492	101,249
Sale of Property and Compensation for Loss	77,313	-	77,313
Interfund Revenues	148,165	-	148,165
State Aid	60,654,920	3,481,271	64,136,191
Federal Aid	341,283	8,762,968	9,104,251
Sales	-	60,106	60,106
Miscellaneous	815,122	22,022	837,144
Total Revenues	<u>102,773,094</u>	<u>12,332,859</u>	<u>115,105,953</u>
Expenditures:			
General Support	10,072,136	257,548	10,329,684
Instruction	56,211,947	9,428,824	65,640,771
Pupil Transportation	6,148,168	-	6,148,168
Community Service	34,626	-	34,626
Employee Benefits	19,261,164	-	19,261,164
Debt Service			
Principal	8,565,000	-	8,565,000
Interest	3,083,151	-	3,083,151
Cost of Sales	-	2,155,140	2,155,140
Capital Outlay	-	7,386,024	7,386,024
Total Expenditures	<u>103,376,192</u>	<u>19,227,536</u>	<u>122,603,728</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(603,098)</u>	<u>(6,894,677)</u>	<u>(7,497,775)</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	453,111	453,111
Operating Transfers Out	(264,787)	(188,324)	(453,111)
Premium on BAN and Bond Issuances	-	490,805	490,805
Proceeds from Advance Refunding	-	2,795,000	2,795,000
Transfer to Fiscal Agent	-	(2,960,720)	(2,960,720)
BANs Redeemed from Appropriation	-	3,000,000	3,000,000
Total Other Financing Sources (Uses)	<u>(264,787)</u>	<u>3,589,872</u>	<u>3,325,085</u>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	(867,885)	(3,304,805)	(4,172,690)
Fund Balance, Beginning of Year	<u>23,566,434</u>	<u>7,884,164</u>	<u>31,450,598</u>
Fund Balance, End of Year	<u>\$ 22,698,549</u>	<u>\$ 4,579,359</u>	<u>\$ 27,277,908</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018*

Net Changes in Fund Balance - Governmental Funds	\$ (4,172,690)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	7,760,369
Loss on disposal of fixed assets is an expense in the statement of activities	(30,507)
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(4,206,223)
Net pension expense in accordance with GASB 68 is an additional expense in the district-wide financial statements under full accrual accounting.	(651,728)
Premiums on current year bond and BAN issuances are a deferred inflow of resources in the statement of activities.	(490,805)
Amortization of premium on debt over the life of the bond is a reduction to the current year interest expense in the district-wide financial statements.	509,000
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	8,260,000
Proceeds from long-term borrowings is a revenue in the governmental funds, but is a liability under full accrual accounting.	(2,795,000)
Certain real property tax revenue not recognized in the governmental funds under the modified accrual basis of accounting (60 day rule) but is recognized under full accrual accounting.	(523,970)
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The decrease in accrued interest during 2018 results in less expense.	14,313
Certain expenses in the statement of activities related to the long-term compensated absences liability do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental fund. The increase in the liability in 2018 results in more expense.	(143,379)
Certain postemployment benefits are recognized as an expense in the statement of activities under full accrual accounting.	<u>(7,967,268)</u>
Change in Net Position of Governmental Activities	<u>\$ (4,437,888)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION
 JUNE 30, 2018

	<u>Agency</u>	<u>Private Purpose Trusts</u>
Current Assets		
Cash - Unrestricted	\$ 323,130	\$ -
Cash - Restricted	60,948	308,701
Due from Other Funds	2,370	-
Total Assets	<u>\$ 386,448</u>	<u>\$ 308,701</u>
Current Liabilities		
Extraclassroom Activity Balances	\$ 60,948	\$ -
Other Liabilities	325,500	-
Total Liabilities	<u>\$ 386,448</u>	<u>-</u>
Net Position		
Restricted for Scholarships	-	308,701
Total Net Position	<u>-</u>	<u>308,701</u>
Total Liabilities and Net Position	<u>\$ -</u>	<u>\$ 308,701</u>

		<u>Private Purpose Trusts</u>
Additions:		
Gifts and Contributions		\$ 1,700
Investment Earnings		<u>3,130</u>
Total Additions		4,830
Deductions:		
Scholarship and Awards		<u>(9,286)</u>
Change in Net Position		(4,456)
Net Position, Beginning of Year		<u>313,157</u>
Net Position, End of Year		<u>\$ 308,701</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Enlarged City School District of Troy, New York (“the District”) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below.

A. *Reporting Entity*

The 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 9 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 Statements 14 and 39, The Financial Reporting Entity as amended by GASB Statement 61. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the 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 an entity included in the School District’s reporting entity.

The Extraclassroom Activity Fund

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity fund is 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 fund can be found at pages 70-74.

B. *Joint Ventures*

The District is a component district in Questar III - Rensselaer-Columbia-Greene BOCES (“BOCES”). 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.

BOCES are organized under §1950 of the New York Education Law. A BOCES Board is considered a corporate body. 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 General Municipal Law.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Ventures (Continued)

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7).

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

During the year ended June 30, 2018, the District was billed \$8,846,679 for BOCES administrative and program costs. General purpose financial statements for the Questar III-Rensselaer-Columbia-Greene BOCES are available from the BOCES administrative offices at 10 Empire State Blvd., Castleton, NY 12033. The District's share of BOCES income amounted to \$3,172,708. BOCES additionally holds in reserve \$781,596 in amounts originally to be used to offset postemployment benefit costs at June 30, 2018. BOCES intends to use these funds to offset future administrative charges over an original period of at least 5 years commencing in 2016.

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

C. Basis of Presentation

District-wide Statements

The Statement of Net Assets and the Statement of Activities and Change in Net Position 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 nonexchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at year-end. The Statement of Activities and Change in Net Position presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial 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 non-major funds.

I. Governmental Fund Types

The District reports the following major governmental fund:

1. General Fund

The general fund is the principal operating fund and is used to account for all of the District's operations not required to be accounted for in another fund.

All remaining governmental funds are aggregated and reported as non-major funds:

2. Special Revenue Funds

The special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditure for special purposes. Special revenue funds include the following funds:

a. Special Aid Fund

Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

b. School Lunch Fund

Used to account for transactions of the lunch and breakfast programs.

3. Capital Projects Funds

These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

4. Debt Service Fund

The debt service fund is used to account for the advanced refunding of debt and unspent proceeds of borrowings that are restricted for debt service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *Basis of Presentation (Continued)*

Fund Financial Statements (Continued)

II. **Fiduciary Fund Type**

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and 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 fund types:

1. Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
2. Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. *Basis of Accounting/Measurement Focus*

General Information

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time obligations are incurred, regardless of when the related cash transactions take 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 in which all eligibility requirements have been satisfied.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Unearned Revenue and Deferred Outflows and Inflows of Resources

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.

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 (expense/expenditure) until then. The District's three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-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.

In addition to liabilities, the statement of net position will sometimes report a separation 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 inflows of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue. 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 system not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period September 1 through November 30 annually.

II. Enforcement

Uncollected real property taxes are enforced by the City of Troy and the County of Rensselaer. An amount representing all uncollected real property taxes must be transmitted by the City and County to the School District within two years from the return of unpaid taxes to such city and county. Real property taxes receivable expected to be collected within sixty days subsequent to June 30, 2018, less similar amounts collected during this period in the preceding year, are recognized as revenue; otherwise, real property taxes receivable are offset by deferred inflows of resources.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

1. The budget policies are as follows:
 - a. The District administration prepares a proposed budget for approval by the Board of Education for the general fund.
 - b. The voters within the District approve the proposed appropriation budget for the general fund.
 - c. Appropriations are adopted at the program level.
 - d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Various Gifts	\$ 16,413
Use of Tax Certiorari Reserve	<u>464,638</u>
	<u>\$ 481,051</u>

II. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

III. Budget Basis of Accounting

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

H. Cash and Investments

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Assistant Superintendent for Business.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Investments (Continued)

Investment and Deposit Policy (Continued)

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Investments (Continued)

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:

U.S. GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the District's investments are valued based on level 1 of the hierarchy.

The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and cash equivalents: Valued at cost plus accrued interest, which approximates fair market value.

Common stocks and mutual funds: Valued at the net assets value (NAV) of shares held at year end. The NAV is the closing price reported on the open market on which the securities are traded.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Investments (Continued)

Investments (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

I. Accounts Receivable

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

J. Inventories

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

K. Interfund Transfers

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure 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, with the exception of those due from or to the fiduciary funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications

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

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

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.

Unassigned 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.

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

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. Non-spendable fund balance includes the inventory recorded in the school food service fund at June 30, 2018.

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

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District Board and contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements such as the award of a bid by the District Board. The District had no committed fund balances at June 30, 2018.

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. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the District or designated by the District Board for ensuing year's budget.

All encumbrances in the general and school food service fund of \$2,636,718 and \$1,625,643, respectively at June 30, 2018 are classified as assigned fund balance.

Assigned for Tax Reduction - Portions of fund equity are segregated for future use and are, therefore, not available for appropriation or expenditure. Assignments of unassigned fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

The unassigned portion reports remaining fund balance that has not been assigned or restricted. NYS Real Property Tax Law 1318 restricts the unreserved, unassigned fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

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

The following is a description of the restrictions utilized by the District:

I. Workers' Compensation Reserve

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law and according to General Municipal Law §6-j.

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 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. This reserve is accounted for in the General Fund.

II. Reserve for Employee Benefits Accrued Liability

Authorized by General Municipal Law §6-p, this reserve is used to accumulate funds for the payment of any accrued employee benefit due to an employee upon termination of service. This reserve fund was established by a majority vote of the Board of Education and is funded by budgetary appropriations. This reserve is accounted for in the General Fund.

III. Reserve for Debt Service

Authorized by General Municipal Law §6-i, this reserve is used to account for remaining bond proceeds not utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

IV. Unemployment Insurance Reserve

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

V. Reserve for Retirement Contributions

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

VI. Capital Reserve

Authorized by Education Law §3651, this reserve 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. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law.

M. Postemployment Benefits

In addition to providing the retirement benefits described in Note 2. B., the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently, approximately 1,081 retirees and their spouses meet those eligibility requirements. The District pays 100% of the cost of premiums to an insurance company which provides health care insurance, and is reimbursed a portion of the cost from certain retiree groups. In the governmental funds, the District recognized the net cost of providing benefits for fiscal year 2018 by recording approximately \$4.1 million, its share of insurance premiums for currently enrolled retirees, as an expenditure.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Due to/from Other Funds

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from the same fund type.

O. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2009. For assets acquired prior to July 1, 2009, actual or estimated historical costs based on an appraisal conducted by an independent third-party professional were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar amount above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Lives</u>
Buildings	\$ 5,000	SL	20-40 years
Building improvements	\$ 5,000	SL	20-30 years
Land improvements	\$ 5,000	SL	20 years
Machinery and equipment	\$ 5,000	SL	5-20 years
Infrastructure	\$ 5,000	SL	20 years
Vehicles and trucks	\$ 5,000	SL	8 years

P. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently.

- a. Total fund balances of governmental funds differ from “net assets” of governmental activities reported in the Statement of Net Position. The difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of governmental fund Balance Sheets.
- b. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities and Change in Net Position:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities and Change in Net Position fall into one of three broad categories.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (Continued)

- b. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities and Change in Net Position (Continued):

Long-term Revenue Differences

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

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities and Change in Net Position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities and Change in Net Position.

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

Debt Transaction Differences

Debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas principal payments are recorded as a reduction of liabilities in the Statement of Net Position. Other long-term debt differences result from the recording of compensated absences and postemployment benefits.

Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance. They are, however, included in the net assets of the governmental activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Workers' Compensation Self-Insurance Plan

The District participates in a self-insurance plan for worker's compensation called The Rensselaer Columbia-Greene (RCG) Counties Worker's Compensation Consortium ("Consortium"). The Plan is a claims-servicing public entity risk pool which began operations in July, 1985. The Consortium was formed by participating school districts and Questar III. The purpose of the Consortium is to operate a plan to provide the employees of the participants with worker's compensation benefits and the participants with centralized administration and insurance covering job-connected disabilities and including the cost of medical treatment. The Consortium was accepted as a self-insurer by the State of New York Worker's Compensation Board effective July 1, 1985. The Consortium has a stop loss policy to protect participants from usually high claims.

The Consortium is governed by a Plan Agreement administered by a Board of Directors, consisting of one Director for each member. As of June 30, 2016 (most recent information available) there were 19 participating members from Rensselaer, Columbia and Greene Counties in New York State. The amount owed to the Plan on behalf of the District at June 30, 2016 approximated \$2.3 million. Payments made to the Consortium for the year ended June 30, 2016 were \$927,500.

R. Use of Estimates

The preparation of financial statements in accordance 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, potential contingent liabilities, and useful lives of long-term assets.

S. Compensated Absences

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

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first out (LIFO) basis.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated leave is included in the compensated absences liability at year-end in the District-wide financials. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

In the fund statements, only the amount of material liabilities is accrued based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

U. Short-Term Debt

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

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

The 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 BANs issued for capital purposes be converted to long term financing within five years after the original issue date.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

V. New Accounting Standards

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2018. GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 81, *Split Interest Agreements*, GASB Statement No. 85, *Omnibus*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Future Changes in Accounting Standards

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019, GASB Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020, GASB Statement No. 87, *Leases*, effective for the year ending June 30, 2021 and GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, effective for the year ending June 30, 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.

X. Change in Accounting Principle Net Position Restatement

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. See Note 5BII for the financial statement impact of the implementation of the statement.

Adoption of this statement resulted in a decrease to the July 1, 2017 net position of \$94,966,629 from \$22,205,280 to \$(72,761,349).

Y. Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 11, 2018, the date the financial statements were available to be issued. No such events or transactions were noted.

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash

1. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2018 all deposits were fully insured and collateralized by the District's agent in the District's name.

2. Restricted Cash

General

Restricted cash of \$4,038,569 consists of amounts set aside by the District to fund a portion of the District's restricted reserves.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

I. Cash (Continued)

2. Restricted Cash (Continued)

\$8.0 Million Capital Project

Restricted cash of \$12,885,339 consists of unexpended BAN and serial bond borrowings restricted to be spent on the capital project.

Debt Service

Restricted cash of \$4,307,372 consists of unexpended closed capital projects and premiums earned on borrowings restricted for debt payment.

Fiduciary

Restricted cash of \$369,649 consists of \$60,948 for extraclassroom activity funds and \$308,701 is restricted for scholarships.

II. *Interfund Receivables and Payables*

Interfund transactions and balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General	\$ 3,862,241	\$ 295,266	\$ -	\$ 264,787
Special Aid Fund	192,044	4,010,913	164,787	188,324
School Lunch	-	38,800	-	-
Debt Service	241,230	-	-	-
Capital Projects Fund	289,296	242,202	288,324	-
Agency	<u>2,370</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government Activities	<u>\$ 4,587,181</u>	<u>\$ 4,587,181</u>	<u>\$ 453,111</u>	<u>\$ 453,111</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

III. *Other Receivables*

Other receivables in the government funds at June 30, 2018 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

III. Other Receivables (Continued)

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Retirement Health Premiums	\$ 3,680
General Fund	Fuel Reimbursements	27,238
General Fund	Other	3,997
		<u>\$ 34,915</u>

IV. Capital Assets

Capital asset balances for the year ended June 30, 2018 is as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance June 30</u>
Capital assets that are not depreciated:				
Land	\$ 345,316	\$ -	\$ -	\$ 345,316
Construction in Progress	67,028,952	7,230,709	-	74,259,661
Total nondepreciable historical cost	<u>67,374,268</u>	<u>7,230,709</u>	<u>-</u>	<u>74,604,977</u>
Capital assets that are depreciated:				
Buildings	98,478,431	5,870	-	98,484,301
Machinery and equipment	14,097,605	451,312	(191,783)	14,357,134
Land improvements	3,974,151	-	-	3,974,151
Vehicles	594,827	72,478	-	667,305
Total depreciable historical cost	<u>117,145,014</u>	<u>529,660</u>	<u>(191,783)</u>	<u>117,482,891</u>
Less accumulated depreciation:				
Buildings	52,571,087	2,880,654	-	55,451,741
Machinery and equipment	12,103,477	1,124,082	(161,276)	13,066,283
Land improvements	1,371,353	174,197	-	1,545,550
Vehicles	453,282	27,290	-	480,572
Total accumulated depreciation	<u>66,499,199</u>	<u>4,206,223</u>	<u>(161,276)</u>	<u>70,544,146</u>
Total capital assets, net	<u>\$ 118,020,083</u>	<u>\$ 3,554,146</u>	<u>\$ (30,507)</u>	<u>\$ 121,543,722</u>

B. Liabilities

I. Pension Plans

General Information

The District participates in the New York State and Local Employees' Retirement System ("ERS"), and the New York State Teachers' Retirement System ("TRS"). These Systems 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.

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)***B. Liabilities (Continued)******I. Pension Plans (Continued)****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, NY 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.

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 for 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, NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% 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% 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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

ERS and TRS Contributions

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

	<u>ERS</u>	<u>TRS</u>
2017-2018	\$ 937,681	\$ 4,190,000
2016-2017	\$ 1,035,853	\$ 4,556,697
2015-2016	\$ 1,150,543	\$ 5,781,619

The District's contributions made to the Systems were equal to 100 percent of the contributions required for each year. The approximate rates paid for the largest tier in the three years from 2016-2018 for ERS were 18.9%, 16.1% and 15.9% for the largest employee group, respectively, and the rates for TRS from 2015-2017 were 13.26%, 11.72% and 9.8%, respectively.

Chapter 260 of the laws of 2014 of the State of New York allows local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ending March 31, 2005 through 2008. Chapter 57 of the laws of 2010 of the State of New York allows local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ending March 31, 2012 and forward.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. The District has not bonded or amortized any portion of their retirement obligations.

At June 30, 2018, the District reported a net pension asset of \$1,591,127 (TRS) and liability of \$763,026 (ERS) for its proportionate share of the net pension asset or liability. The net pension asset (TRS) was measured as of June 30, 2016, and the net pension liability (ERS) was measured as of March 31, 2018. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of those dates. 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 pension plan relative to the projected contributions of all participating members, actuarially determined. The information was provided by the TRS and ERS systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset (liability)	\$ 1,591,127	\$ (763,026)
District's portion of the Plan's total net pension liability	.209331%	.0236418%

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

For the year ended June 30, 2018, the District recognized a net pension expense of \$4,887,343 in the statement of activities resulting from \$3,970,622 for TRS and \$916,721 for ERS.

At June 30, 2018, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>TRS</u>	<u>ERS</u>	<u>Total Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 1,309,106	\$ 272,147	\$ 1,581,253
Changes of assumptions	16,190,024	505,950	16,695,974
Net difference between projected and actual earnings on pension plan investments	-	1,108,235	1,108,235
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,668	7,515	37,183
Contributions made subsequent to the measurement date	<u>3,349,055</u>	<u>279,173</u>	<u>3,628,228</u>
	<u>\$ 20,877,853</u>	<u>\$ 2,173,020</u>	<u>\$ 23,050,873</u>

At June 30, 2018, the District reported deferred inflows of resources related to pensions from the following sources:

	<u>TRS</u>	<u>ERS</u>	<u>Total Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 620,362	\$ 224,892	\$ 845,254
Net difference between projected and actual earnings on pension plan investments	3,747,564	2,187,546	5,935,110
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>272,569</u>	<u>13,451</u>	<u>286,020</u>
	<u>\$ 4,640,495</u>	<u>\$ 2,425,889</u>	<u>\$ 7,066,384</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30, 2019	\$ 4,124,375
June 30, 2020	4,374,779
June 30, 2021	2,480,427
June 30, 2022	475,761
June 30, 2023	3,026,680
Thereafter	<u>1,502,467</u>
	<u>\$ 15,984,489</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

	<u>TRS</u>	<u>ERS</u>
Covered Payroll	\$ <u>34,840,419</u>	\$ <u>6,761,521</u>

TRS Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Inflation rate	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

	<u>Service</u>	<u>Rate</u>
	5	4.72%
	15	3.46%
	25	2.37%
	35	1.90%
Projected COLAs	1.5% compounded annually	
Investment rate of return	7.25% compounded annually, net of pension plan investment expense, including inflation	

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP 2014, applied on a generational basis. Active members mortality rates are based on plan member experience.

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

ERS Actuarial Assumptions

The total pension liability at June 30, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions.

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

ERS Actuarial Assumptions (Continued)

Significant actuarial assumptions used in the April 1, 2017 valuation were as follows:

Inflation rate	2.5%
Salary increase	3.8%
Projected COLA	1.3%
Investment Rate of Return	7.0%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for TRS and ERS are as follows:

<u>Asset Class</u>	<u>TRS</u>	<u>ERS</u>
Domestic equity	5.9%	4.55%
International equity	7.4%	6.35%
Real estate	4.3%	5.55%
Alternative investments	9.0%	- %
Domestic fixed income securities	1.6%	- %
Global fixed income securities	1.3%	- %
Mortgages	2.8%	1.31%
High-yield fixed income securities	3.9%	- %
Short-term	.6%	(.25%)
Private equity	- %	7.50%
Absolute return	- %	3.75%
Opportunistic portfolio	- %	5.68%
Real assets	- %	5.29%
Inflation - indexed bonds	- %	1.25%

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% ERS. 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Assets/Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 7.25 and 7.0 percent, 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 or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
<u>TRS</u>			
Employer's proportionate share of the net pension asset (liability)	<u>\$ (27,410,401)</u>	<u>\$ 1,159,127</u>	<u>\$ 25,878,467</u>
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	<u>\$ (5,773,263)</u>	<u>\$ (763,026)</u>	<u>\$ 3,475,434</u>

Pension Plan Fiduciary Net Position

The components of the net pension asset (TRS) and liability (ERS) of the employer as of the respected measurement dates were as follows (in thousands):

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Plan fiduciary net position	<u>115,468,360</u>	<u>180,173,145</u>
Employers' net pension asset (liability)	<u>\$ 760,099</u>	<u>\$ (3,327,445)</u>
 Ratio of plan fiduciary net position to the employers' total pension liability	 <u>100.66%</u>	 <u>98.24%</u>

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Payables and Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued employer retirement contributions as of June 30, 2018 amounted to \$3,349,055, along with employee withholdings of \$318,668 as of June 30, 2018.

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, 2019 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$279,173. Employee contributions are remitted monthly.

II. Other Postemployment Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description - The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided - The District provides healthcare and live insurance benefits for retirees and their dependants. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	452
Active employees	629
	<u>1,081</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

5. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Other Postemployment Benefits (OPEB) (Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$171,183,940 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Salary Increases	3.0 percent, average, including inflation
Discount Rate	3.0 percent
Healthcare Cost Trend Rates	7.5 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2022 and later years
Retirees' Share of Benefit-Related Costs	10-65 percent of projected health insurance premiums for retirees

The discount rate was based on the yield or index rate for 20 year tax exempt general obligation municipal bonds with a average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 adjusted to 2006 total dataset mortality table projected to the valuation date with scale MP-2016.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2017.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017, as restated	\$ <u>166,170,756</u>
<u>Changes for the Year -</u>	
Service cost	6,914,141
Interest	5,131,733
Differences between expected and actual experience	51,728
Benefit payments	<u>(4,084,418)</u>
Net Changes	<u>8,013,184</u>
Balance at June 30, 2018	\$ <u>174,183,940</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

5. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Other Postemployment Benefits (OPEB) (Continued)

C. Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2 percent) or 1 percentage point higher (4 percent) than the current discount rate:

	<u>1% Decrease</u>	Current Discount Rate	<u>1% Increase</u>
Total OPEB Liability	\$ <u>207,495,918</u>	\$ <u>174,183,940</u>	\$ <u>147,972,308</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current healthcare care trend rate:

	1% Decrease (6.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)	1% Increase (8.5% Decreasing to 6.5%)
Total OPEB Liability	\$ <u>141,114,317</u>	\$ <u>174,183,940</u>	\$ <u>222,776,277</u>

D. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$12,097,602. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

Difference between expected and actual experience	\$ <u>45,916</u>
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ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

5. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Other Postemployment Benefits (OPEB) (Continued)

D. OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ 5,812
2020	5,812
2021	5,812
2022	5,812
2023	5,812
Thereafter	<u>16,856</u>
	<u>\$ 45,916</u>

III. Indebtedness

1. Short-Term Debt

Transactions in short-term debt related to bond anticipation notes for the year ended June 30, 2018:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
		\$ 8,000,000	\$ -	\$ 8,000,000	\$ -
	%	<u>-</u>	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>
	%	<u>\$ 8,000,000</u>	<u>\$ 13,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 13,000,000</u>

Interest on short-term debt in the government-wide statement of activities for the year was composed of :

Interest paid	\$ 126,800
Less interest accrued in the prior year	(6,340)
Plus interest accrued in the current year	<u>12,097</u>
Total Expense	<u>\$ 132,557</u>

2. Long-term Debt

a. Serial Bonds

The District borrows money in order to acquire or construct building and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. During the current year, the District recognized \$2,956,351 of expenditures for serial and statutory bond debt interest in the governmental funds statement of revenues, expenditures and changes in fund balances.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

2. Long-term Debt (Continued)

a. Serial Bonds (Continued)

Interest on long-term debt in the government-wide statement of activities for the year was composed of:

Interest paid	\$ 2,956,351
Less interest accrued in the prior year	(391,177)
Less amortization of bond premium	(509,000)
Plus interest accrued in the current year	<u>371,107</u>
Total Expense	<u><u>\$ 2,427,281</u></u>

b. Other Long-term Debt

In addition to the above long-term debt, the District had the following noncurrent liabilities:

Compensated Absences - Represents the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Other Postemployment Benefits - represents the District's obligation for postemployment benefits provided to retirees and current employees upon their retirement.

Pension Liability - represents the District's liability for its proportionate share of the ERS pension.

3. Changes

The changes in indebtedness during the year ended June 30, 2018 are summarized as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Serial Bonds	\$ 66,284,550	\$ 2,795,000	\$ 8,260,000	\$ 60,819,550
Compensated Absences	3,644,100	143,379	-	3,787,479
Other Postemployment Benefits, as Restated	166,170,756	12,097,602	4,084,418	174,183,940
Pension Liability	<u>4,451,774</u>	<u>-</u>	<u>3,688,748</u>	<u>763,026</u>
	<u><u>\$ 240,551,180</u></u>	<u><u>\$ 15,035,981</u></u>	<u><u>\$ 16,033,166</u></u>	<u><u>\$ 239,553,995</u></u>

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

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

4. Maturity

The following is a summary of the District's indebtedness:

<u>Description of Issue</u>	<u>Type</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest</u>	<u>Outstanding June 30, 2018</u>
District-wide Renovations, Bonds, 2010	Serial Bond	07/01/10	06/15/25	3.881%	\$ 910,000
School District Refunding Bonds, 2011	Serial Bond	05/25/11	07/15/21	2.00 - 3.125%	2,745,000
School Construction Bonds, 2012	Serial Bond	06/14/12	06/15/27	1.30 - 4.35%	3,280,000
Bond Authorization Series 2014	Serial Bond	07/12/14	06/15/29	2.00 - 5.00%	33,530,000
School District Refunding Bonds 2015	Serial Bond	03/31/15	07/01/28	2.00 - 5.00%	11,084,550
District-wide Renovations, Bonds, 2016	Serial Bond	06/15/16	06/15/31	2.00 - 5.00%	6,685,000
School District Refunding Bond, 2017	Serial Bond	11/09/17	06/15/25	4.00 - 5.00%	<u>2,585,000</u>
Total					<u>\$ 60,819,550</u>

The following is a summary of maturing debt service requirements for bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium Amortization</u>
2019	\$ 5,740,000	\$ 2,740,530	\$ 722,070
2020	5,965,000	2,500,365	509,000
2021	5,420,000	2,253,018	564,547
2022	5,220,000	2,030,321	564,547
2023	5,465,000	1,783,884	564,547
2024-2028	26,395,000	5,122,026	2,656,094
2029-2031	<u>6,614,550</u>	<u>376,441</u>	<u>648,550</u>
Total	<u>\$ 60,819,550</u>	<u>\$ 16,806,585</u>	<u>\$ 6,229,355</u>

IV. Constitutional Debt Limit

The constitution of the State of New York limits the amounts of indebtedness which may be issued by the School District. The School District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 5% on the average full valuation of taxable real estate within the District. At June 30, 2018, the District has exhausted approximately 82.6% of its constitutional debt limit.

3. CONTINGENCIES AND COMMITMENTS

A. Litigation

The District is a party of various legal proceedings and other claims incidental to the ordinary course of its operations. The District is also regularly involved with certiorari actions brought by real property owners to have their assessments reduced. Liabilities, if any, are recorded when they become fixed or determinable in amount.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, District management believes such disallowances, if any, would not be material.

C. Risk Financing and Related Insurance

General Information

The Enlarged City School District of Troy, New York is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters.

D. Collective Bargaining Units

The Enlarged City School District of Troy, New York employees are represented by collective bargaining agents. Those agents which represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Troy Administrators' Association	June 30, 2020
CSEA, LOCA 1000 AFSCME, AFL - C10	June 30, 2019
Troy Teachers' Association	June 30, 2020

E. Tax Abatement Agreements

The County of Rensselaer and City of Troy enter into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced by \$3,290,664. The District received payment in lieu of tax (PILOT) payments totaling \$1,473,870 for the year ended June 30, 2018.

3. CONTINGENCIES AND COMMITMENTS (CONTINUED)

F. Advance Refunding

On November 9, 2017, \$2,795,000 in general obligation bonds with an average interest rate of 1.8 percent were issued to advance refund \$2,695,000 million of outstanding bonds with an average interest rate of 4.8 percent. The net proceeds of \$2,960,720 (after receipt of approximately \$278,000 in bond premium and payment of approximately \$112,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over 8 years by almost \$219,000, resulting in an economic gain of approximately \$138,000.

G. Prior Defeasance of Debt

In addition to the current year advance refunding, in prior years certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the remaining liability for all defeased bonds, \$14,170,000, and the related trust account assets are not included in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 STATEMENT OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #1

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
Revenues:				
Local Sources:				
Real property taxes	\$ 32,523,420	\$ 32,777,091	\$ 33,070,799	\$ 293,708
Other tax items	5,025,000	4,771,329	5,353,364	582,035
Nonproperty taxes	1,500,000	1,500,000	1,285,409	(214,591)
Charges for service	726,650	726,650	931,962	205,312
Use of money and property	36,500	36,500	94,757	58,257
Sale of property and compensation for loss	52,320	52,320	77,313	24,993
Miscellaneous	1,100,000	1,116,414	815,122	(301,292)
Interfund revenues and operating transfers	<u>300,000</u>	<u>300,000</u>	<u>148,165</u>	<u>(151,835)</u>
Total Local Sources	41,263,890	41,280,304	41,776,891	496,587
State sources	61,239,907	61,239,907	60,654,920	(584,987)
Medicaid Reimbursement	125,000	125,000	210,347	85,347
Interest Subsidy - Build American Bonds	<u>140,000</u>	<u>140,000</u>	<u>130,936</u>	<u>(9,064)</u>
Total Revenues	102,768,797	102,785,211	\$ 102,773,094	\$ <u>(12,117)</u>
Other Financing Sources:				
Appropriated fund balance	<u>9,250,000</u>	<u>9,250,000</u>		
Total Revenues and Other Financing Sources	<u>\$ 112,018,797</u>	<u>\$ 112,035,211</u>		

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 STATEMENT OF REVENUES, OTHER SOURCES, EXPENDITURES AND OTHER USES COMPARED TO BUDGET - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #1 (CONTINUED)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Budget Variance</u>
Expenditures:					
General Support:					
Board of education	\$ 99,569	\$ 126,983	\$ 117,228	\$ 5,480	\$ 4,275
Central administration	277,224	283,200	280,634	285	2,281
Finance	821,084	858,318	706,456	6,492	145,370
Staff	756,858	1,010,404	534,692	252,966	222,746
Central services	8,301,634	8,466,176	6,993,466	358,418	1,114,292
Special items	<u>997,361</u>	<u>1,508,390</u>	<u>1,439,660</u>	<u>-</u>	<u>68,730</u>
Total General Support	<u>11,253,730</u>	<u>12,253,471</u>	<u>10,072,136</u>	<u>623,641</u>	<u>1,557,694</u>
Instruction:					
Instruction, administration and improvement	3,848,440	4,750,337	3,954,922	417,451	377,964
Teaching - regular school	33,145,057	32,876,836	30,583,610	1,246,093	1,047,133
Programs for children with handicapping conditions	17,663,150	17,192,970	15,867,080	229,773	1,096,117
Occupational education	867,402	884,086	794,269	-	89,817
Teaching - special school	425,132	446,688	334,141	-	112,547
Instructional media	1,400,788	1,889,718	1,282,849	86,422	520,447
Pupil services	<u>3,724,235</u>	<u>3,880,417</u>	<u>3,395,076</u>	<u>9,989</u>	<u>475,352</u>
Total Instruction	<u>61,074,204</u>	<u>61,921,052</u>	<u>56,211,947</u>	<u>1,989,728</u>	<u>3,719,379</u>
Other:					
Pupil transportation	6,146,647	6,990,179	6,148,168	3,260	838,751
Community service	32,000	46,000	34,626	-	11,374
Employee benefits	24,550,959	21,644,369	19,261,164	20,089	2,363,116
Debt service	<u>8,726,258</u>	<u>11,726,258</u>	<u>11,648,151</u>	<u>-</u>	<u>78,107</u>
Total Other	<u>39,455,864</u>	<u>40,406,806</u>	<u>37,092,109</u>	<u>23,349</u>	<u>3,291,348</u>
Total Expenditures	111,783,798	114,581,329	103,376,192	2,636,718	8,568,421
Other Financing Uses:					
Transfers to other funds	<u>235,000</u>	<u>264,787</u>	<u>264,787</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>\$ 112,018,798</u>	<u>\$ 114,846,116</u>	<u>103,640,979</u>	<u>\$ 2,636,718</u>	<u>\$ 8,568,421</u>
Net Changes in Fund Balances			<u>\$ (867,885)</u>		

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLANS
 FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #2

Measurement Date	
Total OPEB liability:	
Service cost	\$ 6,914,141
Interest	5,131,733
Differences between expected and actual experience in the measurement of the total OPEB liability	51,728
Benefit payments	<u>(4,084,418)</u>
Net change in total OPEB liability	8,013,184
Total OPEB liability, beginning of year, as restated	<u>166,170,756</u>
Total OPEB liability, end of year	<u>\$ 174,183,940</u>
Covered payroll	<u>\$ 36,573,553</u>
Total OPEB liability as a percentage of covered payroll	<u>476.26%</u>

Note: 10 years of historical information will not be available upon implementation in 2018. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSETS/LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #3

<u>TRS</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportionate share of net pension assets (liabilities)	\$ 1,591,127	\$ (2,228,857)	\$ 21,677,739
Covered payroll	\$ 34,840,419	\$ 33,701,861	\$ 32,719,326
Proportionate share of net pension asset (liabilities) as a percentage of covered payroll	4.6%	6.6%	66.3%
Plan fiduciary net position as a percentage of total pension asset	100.66%	99.01%	110.5%

<u>ERS</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Proportionate share of net pension assets (liabilities)	\$ (763,026)	\$ (2,222,917)	\$ (3,837,025)
Covered payroll	\$ 6,761,521	\$ 6,250,536	\$ 6,092,745
Proportionate share of net pension assets (liabilities) as a percentage of covered payroll	11.3%	35.6%	63.0%
Plan fiduciary net position as a percentage of total pension liability	98.24%	94.70%	90.6%

Note: Information for the years prior to implementation of GASB 68 is unavailable and will be completed each year going forward as it becomes available.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLANS

FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #4

<u>TRS</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,190,000	\$ 4,556,697	\$ 5,781,619
Contributions in relation to the contractually required contribution	<u>4,190,000</u>	<u>4,556,697</u>	<u>5,781,619</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 34,840,419	\$ 33,701,861	\$ 32,719,326
Contributions as a percentage of covered-employee payroll	12.0%	13.5%	17.7%

<u>ERS</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Contractually required contribution	\$ 937,681	\$ 1,035,853	\$ 1,150,543
Contributions in relation to the contractually required contribution	<u>937,681</u>	<u>1,035,853</u>	<u>1,150,543</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,761,521	\$ 6,250,536	\$ 6,092,745
Contributions as a percentage of covered-employee payroll	13.9%	16.6%	18.9%

Note: Information for the years prior to implementation of GASB 68 is unavailable and will be completed each year going forward as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
*SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
 THE REAL PROPERTY TAX LIMIT
 FOR THE YEAR ENDED JUNE 30, 2018*

SUPPLEMENTAL SCHEDULE #5

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 112,018,798
Add: Prior Year's Encumbrances	<u>2,346,267</u>
	114,365,065
Original Budget	
Appropriation of Tax Certiorari Reserve	464,638
Budget Revision - Gifts and Donations	<u>16,413</u>
Final Budget	<u><u>\$ 114,846,116</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2018-19 expenditure budget	\$ 111,893,389
Maximum allowed 4% of 2017-18 budget	<u>\$ 4,475,736</u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 2,636,718
Unassigned fund balance	<u>9,866,943</u>
Total unrestricted fund balance	<u><u>12,503,661</u></u>
Less:	
Appropriated fund balance	5,450,000
Encumbrances included in assigned fund balance	<u>2,636,718</u>
Total adjustments	<u><u>8,086,718</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u><u>\$ 4,416,943</u></u>
Actual percentage	<u><u>3.94%</u></u>

Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of General Fund fund balance subject to §1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

CAPITAL PROJECTS FUND - SCHEDULE OF PROJECT EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #6

<u>Project Title</u>	<u>Project Number</u>	<u>Expenditures</u>					<u>Unexpended Balance</u>
		<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
School 18 PA System	0010.012	\$ 100,000	\$ 100,000	\$ 95,197	\$ -	\$ 95,197	\$ 4,803
Doyle Middle School Reconstruction (DMS)	0012.015	100,000	100,000	61,877	-	61,877	38,123
District Wide Technology	(1)	8,400,000	8,400,000	8,198,661	137,685	8,336,346	63,654
Capital Outlay Project	0009.003	100,000	100,000	94,818	-	94,818	5,182
Paving Improvements	0009.002	124,100	124,100	112,682	4,250	116,932	7,168
District Wide Infrastructure	Various (2)	23,300,000	23,300,000	2,008,845	6,713,860	8,722,705	14,577,295
Emergency Pool Project		500,000	650,000	-	269,836	269,836	380,164
PS 2 Community Schools		<u>1,200,000</u>	<u>1,300,000</u>	<u>-</u>	<u>105,078</u>	<u>105,078</u>	<u>1,194,922</u>
Total		<u>\$ 33,824,100</u>	<u>\$ 34,074,100</u>	<u>\$ 10,572,080</u>	<u>\$ 7,230,709</u>	<u>\$ 17,802,789</u>	<u>\$ 16,271,311</u>

(1) Various capital project numbers including:

<u>Title</u>	<u>Number</u>
District Wide Technology	7999.004
Troy High School (THS)	0011.026
Public School 14 (PS14)	0009.002

(2) Various capital project numbers (10), contact district for further information.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #7

Capital Assets, Net		\$ 121,543,722
Deduct:		
Short-term portion of bonds and bond anticipation notes payable	\$ 18,740,000	
Long-term portion of bonds payable	55,079,550	
Less: unspent bond anticipation note proceeds	<u>(12,885,339)</u>	<u>(60,934,211)</u>
Investment in Capital Assets, Net of Related Debt		<u>\$ 60,609,511</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #8

	<u>Capital Projects</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Total Debt Service</u>	<u>Non-Major Funds</u>
Current Assets:					
Cash					
Unrestricted	\$ -	\$ 38,235	\$ 1,619,160	\$ -	\$ 1,657,395
Restricted	12,885,339	-	-	4,307,372	17,192,711
Receivables					
Due from other funds	289,296	192,044	-	241,230	722,570
State and federal aid	-	4,297,618	162,327	-	4,459,945
Other	-	-	-	-	-
Inventories	-	-	34,698	-	34,698
Total Assets	<u>\$ 13,174,635</u>	<u>\$ 4,527,897</u>	<u>\$ 1,816,185</u>	<u>\$ 4,548,602</u>	<u>\$ 24,067,319</u>
Current Liabilities:					
Payables					
Accounts payable	\$ 1,562,017	\$ 516,984	\$ 116,240	\$ -	\$ 2,195,241
Due to other funds	242,202	4,010,913	38,800	-	4,291,915
Due to other governments	-	-	804	-	804
Bond anticipation notes payable	13,000,000	-	-	-	13,000,000
Total Liabilities	<u>14,804,219</u>	<u>4,527,897</u>	<u>155,844</u>	<u>-</u>	<u>19,487,960</u>
Fund Balance:					
Restricted for:					
Debt service	-	-	-	4,548,602	4,548,602
Nonspendable:					
Inventories	-	-	34,698	-	34,698
Assigned for:					
Food service	-	-	1,625,643	-	1,625,643
Unassigned:					
Fund Balance (Deficit)	<u>(1,629,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,629,584)</u>
Total Fund Balance (Deficit)	<u>(1,629,584)</u>	<u>-</u>	<u>1,660,341</u>	<u>4,548,602</u>	<u>4,579,359</u>
Total Liabilities and Fund Balance	<u>\$ 13,174,635</u>	<u>\$ 4,527,897</u>	<u>\$ 1,816,185</u>	<u>\$ 4,548,602</u>	<u>\$ 24,067,319</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #9

	<u>Capital Projects</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Total Non-Major Funds</u>
Revenues:					
Use of money and property	\$ -	\$ -	\$ 2	\$ 6,490	\$ 6,492
State sources	-	3,420,210	61,061	-	3,481,271
Sales	-	-	60,106	-	60,106
Miscellaneous	-	-	22,022	-	22,022
Federal sources	-	6,177,684	2,585,284	-	8,762,968
Total Revenues	-	9,597,894	2,728,475	6,490	12,332,859
Expenditures:					
General support	-	145,533	-	112,015	257,548
Instruction	-	9,428,824	-	-	9,428,824
Capital outlay	7,230,709	-	155,315	-	7,386,024
Cost of sales	-	-	2,155,140	-	2,155,140
Total Expenditures	7,230,709	9,574,357	2,310,455	112,015	19,227,536
Excess (Deficiency) of Revenues Over Expenditures	(7,230,709)	23,537	418,020	(105,525)	(6,894,677)
Other Financing Sources (Uses):					
Operating Transfers In	288,324	164,787	-	-	453,111
Operating Transfers Out	-	(188,324)	-	-	(188,324)
Net Premium on BAN and Bond issuances	-	-	-	490,805	490,805
Proceeds from advanced refunding	-	-	-	2,795,000	2,795,000
Transfer to fiscal agent	-	-	-	(2,960,720)	(2,960,720)
BANs redeemed from appropriation	3,000,000	-	-	-	3,000,000
Total Other Sources	3,288,324	(23,537)	-	325,085	3,589,872
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(3,942,385)	-	418,020	219,560	(3,304,805)
Fund Balance (Deficit), Beginning of Year	2,312,801	-	1,242,321	4,329,042	7,884,164
Fund Balance (Deficit), End of Year	\$ (1,629,584)	\$ -	\$ 1,660,341	\$ 4,548,602	\$ 4,579,359

FEDERAL AWARD PROGRAM INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
Enlarged City School District of Troy, 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, of each major program, and the aggregate remaining fund information of the Enlarged City School District of Troy, New York (the “District”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 11, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 11, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Enlarged City School District of Troy, New York

Report on Compliance for Each Major Federal Program

We have audited the Enlarged City School District of Troy, New York's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 11, 2018

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity/Project Number</u>	<u>Federal Expenditures</u>
<u>Passed Through New York State Education Department:</u>			
<u>U.S. Department of Education</u>			
ESEA Title I	84.010	0021-18-2530	\$ 2,203,006
ESEA Title I	84.010	0021-18-2148	109,063
Title I School Improvement	84.010	0011-17-2530	476,705
Title I School Improvement	84.010	0011-18-2148	70,674
Total CFDA #84.010			<u>2,859,448</u>
Special Education Cluster (IDEA)			
IDEA, Part B, Section 611	84.027	0032-18-0760	1,250,389
IDEA, Part B, Section 619	84.173	0187-18-0760	77,414
Total Special Education Cluster (IDEA)			<u>1,327,803</u>
Career and Technical Education	84.048	0639-17-1014	16,502
Career and Technical Education	84.048	0639-18-1014	400,927
Total CFDA #84.048			<u>417,429</u>
Title VII - Education for Homeless Children and Youth	84.196	0212-18-3034	50,000
Title VII - Education for Homeless Children and Youth	84.196	0212-18-3072	20,000
Total CFDA #84.196			<u>70,000</u>
Twenty First Century Community Learning	84.287	0187-17-6119	991
Twenty First Century Community Learning	84.287	0187-18-6119	959,679
Total CFDA #84.287			<u>960,670</u>
Title III - Part A, LEP	84.365	0149-17-2530	14,615
Title III - Part A, LEP	84.365	0293-17-2530	1,205
Title III - Part A, LEP	84.365	0293-18-2530	19,266
Title III - Part A LEP	84.365	0149-18-2530	17,874
Total CFDA #84.365			<u>52,960</u>
Title II - Part A - Teaching and Principal Training	84.367	0149-17-2530	3,476
Title II - Part A - Teaching and Principal Training	84.367	0147-18-2530	260,457
Total CFDA #84.367			<u>263,933</u>
Title I - School Improvement 1003(G)	84.377	0123-18-4109	193,351
Title I - School Improvement 1003(G)	84.377	0123-17-4109	32,090
Total CFDA #84.377			<u>225,441</u>
Total U.S. Department of Education			<u>6,177,684</u>
<u>U.S. Department of Agriculture</u>			
<u>Child Nutrition Cluster</u>			
School Breakfast Program	10.553	-	672,071
School Lunch Program	10.555	-	1,574,067
School Snack Program	10.555	-	64,964
Food Surplus	10.555	-	99,939
Total Child Nutrition Cluster			<u>2,411,041</u>
School Dinner Program	10.558		<u>174,243</u>
Total U.S. Department of Agriculture			<u>2,585,284</u>
Total Federal Assistance			<u>\$ 8,762,968</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

2. SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

The Enlarged City School District of Troy, New York is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

3. SCHOOLWIDE PROGRAMS

The District expends the following federal awards in schoolwide programs:

<u>Programs</u>	<u>Amount</u>
CFDA #10.553/10.555/10.558 Child Nutrition Program	\$ 2,585,284
CFDA #84.027 Special Education - Grants to States (IDEA, Part B)	1,250,389
CFDA #84.173 Special Education - Preschool Grants (IDEA, Preschool)	77,414
CFDA #84.010 Title I Grants to Local Educational Agencies	2,859,448
Total	<u>\$ 6,772,535</u>

4. FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2018, the School District received food commodities totaling \$99,939.

5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenue is reported in the District's financial statements as follows:

Federal Aid per Financial Statements	\$ 9,104,251
Less: Federal Medicaid Receipts	(341,283)
Total Federal Assistance	<u>\$ 8,762,968</u>

6. INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. The District's indirect cost rate is set by New York State.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

SECTION I — SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- “Going Concern” explanatory paragraph included in audit report? _____ Yes X No
- Significant deficiency disclosed? _____ Yes X No
- Significant deficiency(ies) reported as a material weakness? _____ Yes X None reported
- Material noncompliance disclosed? _____ Yes X No

Federal Awards

Internal Control over major programs:

- Significant deficiency disclosed for any major programs? _____ Yes X No
- Significant deficiency(ies) reported for any major programs as a material weakness? _____ Yes X None reported
- Any known questioned costs reported? _____ Yes X No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Clusters</u>
84.027/84.173	Special Education Cluster
84.287	Twenty First Century Community Learning

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II — FINANCIAL STATEMENT FINDINGS

See pages 75-76.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A

SECTION IV — RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

See the resolution of prior year findings enclosed on page 76.

EXTRACLASSROOM ACTIVITY FUND

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Enlarged City School District of Troy, New York

We have audited the accompanying financial statements of the Enlarged City School District of Troy, New York's Extraclassroom Activity Funds ("Troy's Extraclassroom Activity Funds"), which comprise the statement of assets and fund balance-cash basis as of June 30, 2018, and the related statement of cash receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, and fund balance of Troy's Extraclassroom Activity Funds as of June 30, 2018, and its cash receipts and disbursements for the year then ended, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 11, 2018

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

*EXTRACLASROOM ACTIVITY FUND
STATEMENT OF ASSETS AND FUND BALANCE
RESULTING FROM CASH TRANSACTIONS
JUNE 30, 2018*

Cash	<u>\$ 60,948</u>
Fund Balance	<u>\$ 60,948</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK*EXTRAClassroom Activity Fund**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**FOR THE YEAR ENDED JUNE 30, 2018*

Extracurricular Accounts	Balance June 30, 2017	Receipts 2017-2018	Disbursements 2017-2018	Balance June 30, 2018
Art Club	\$ 407	\$ 601	\$ 389	\$ 619
Drama	10,149	7,644	8,881	8,912
Music	4,233	1,105	2,128	3,210
Key Club	6	1,293	819	480
Environmental Action	1,160	1	608	553
French	154	3,848	3,925	77
Italian	900	541	863	578
Spanish	297	2,275	2,413	159
Challenger (THS Paper)	94	-	-	94
Dardanian (THS Yearbook)	42	2,548	-	2,590
DMS Yearbook	950	2,397	2,701	646
Masterminds	-	3,173	-	3,173
Math Honor Society	266	519	450	335
THS Ski Club	111	5,412	5,128	395
DMS Ski Club	233	3,457	3,500	190
National Honor Society	4,164	5,691	7,145	2,710
Junior National Honor Society	3,351	1,390	1,443	3,298
DMS Student Council	1	-	-	1
THS Student Council	13,550	5,640	4,367	14,823
ALP Student Council	809	6,734	5,760	1,783
Junior/Senior Class	23,160	37,309	44,478	15,991
NYS Sales Tax	628	965	1,262	331
Unallocated Bank Interest	<u>125</u>	<u>-</u>	<u>125</u>	<u>-</u>
Total	<u>\$ 64,790</u>	<u>\$ 92,543</u>	<u>\$ 96,385</u>	<u>\$ 60,948</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

EXTRAClassroom Activity Fund

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds are used to account for those organizations within the Enlarged City School District of Troy, New York whose activities are conducted by students and whose financial support is raised other than by taxation, fees or through charges of the Enlarged City School District of Troy, New York.

Reporting Entity

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Enlarged City School District of Troy, New York. Consequently, such transactions are included in the Trust and Agency Fund of the general purpose financial statements.

Basis of Accounting

The books and records of the Enlarged City School District of Troy, New York's Extraclassroom Activity Funds are maintained on the cash basis of accounting in accordance with New York State guidelines. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

MANAGEMENT LETTER

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Board of Education and Management
Enlarged City School District of Troy, New York

We have audited the financial statements of the Enlarged City School District of Troy, New York for the year ended June 30, 2018 and have issued our report thereon dated October 11, 2018. As part of our audit, we made a study and evaluation of the District's system of internal control, to the extent we considered necessary, solely to determine the nature, timing and extent of our auditing procedures. Accordingly, we do not express an opinion on the system of internal control taken as a whole.

The management of the District is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. During our audit, we did not become aware of any conditions that we believe to be material weaknesses, but we did note some items that we believe should be communicated to you. These items, and our suggested corrective action, are detailed in the attached schedules of findings and recommendations.

This report is intended solely for the information and use of the Board of Education, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

CURRENT YEAR RECOMMENDATIONS

1. Fixed Asset Accounting

Fixed asset testing showed that some assets were entered into the incorrect fiscal year causing reconciliation differences in general reports. It was also noted that work in process amounts are not being reconciled and capitalized/depreciated on a timely basis.

We recommend that individuals designated as responsible for fixed asset accounting reconcile those accounts and reports to underlying records on a monthly basis. Additionally, the District should develop a procedure such that as capital projects file final closeout reports with SED they also capitalize the project in their fixed asset accounting software.

2. Petty Cash

The District maintains several petty cash accounts for use by the principals of designated schools. We noted during our testwork that the District has difficulty reconciling petty cash due to untimely remittance of receipts and general inadequate controls over the accounting for these funds.

We recommend that as petty cash accounts are utilized, receipts be maintained for each use of petty cash and as accounts are closed, cash is remitted to the finance office so that a central accounting can be established.

RESOLUTION OF PRIOR YEAR RECOMMENDATIONS

1. Reserve Accounting

The District both established and increased various reserves to allow for potential District exposure in a variety of areas. The Comptroller's office requires that established reserves be both reasonable and necessary.

We recommend that management perform an analysis of the potential exposure for each reserve balance on an annual basis.

Status: This item appears to have been implemented by the District and is considered resolved.

2. School Food Service

The District's school food service fund's operations for the year ended June 30, 2018 resulted in a deficit of almost \$79,000 primarily due to a decline in revenue of approximately \$84,000 with a corresponding increase in expenses of approximately \$129,000.

We recommended that management perform an analysis of the food service operations and develop a plan to make the food service operations sustainable on a current and long-term basis.

Status: This item appears to have been implemented by the District and is considered resolved.

We would like to express our appreciation for the cooperation and efforts of the District's financial personnel who were instrumental in the timely completion of this year's audit. We look forward to being of continued service to your District.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 11, 2018