

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

FINANCIAL REPORT

JUNE 30, 2016

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

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ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION

AND ANALYSIS (UNAUDITED)

JUNE 30, 2016

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, 2016. 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 increased by \$5,865,753 and \$5,115,804 during the course of 2016 and 2015 primarily due to the recognition of net pension asset increases as required by the implementation of GASB 68.
- District-wide revenues were \$110,520,231 and \$108,618,717 for 2016 and 2015, respectively; district wide expenditures were \$104,654,478 and \$113,734,521 for 2016 and 2015, respectively.
- General fund revenues exceeded general fund expenditures by \$3,837,023 and \$1,032,552 for the years ended June 30, 2016 and 2015, respectively.
- General fund equity was \$20,808,173 at June 30, 2016 as compared to \$16,971,150 at June 30, 2015.

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.

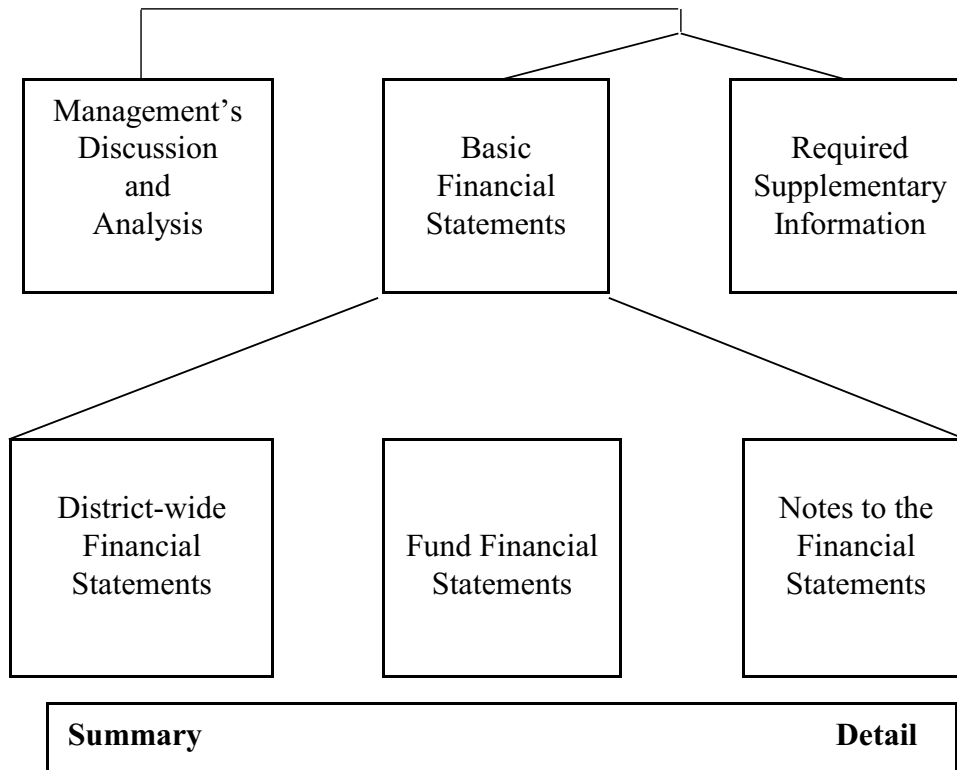
The financial statements also include notes that provide additional information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's 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, 2016

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, 2016*

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, 2016

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 exceeded liabilities and deferred inflows by \$24,475,294 at June 30, 2016. 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, 2016

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

	Fiscal Year 2016	Fiscal Year 2015
Current and Other Assets	\$ 50.4	\$ 34.3
Capital Assets	120.8	120.4
Pension Assets, Net	<u>21.7</u>	<u>21.6</u>
Total Assets	<u>192.9</u>	<u>176.3</u>
 Deferred Outflows	 <u>3.6</u>	 <u>.2</u>
Current Liabilities	25.0	20.7
Long-term Debt Outstanding	<u>143.2</u>	<u>127.7</u>
Total Liabilities	<u>168.2</u>	<u>148.4</u>
 Deferred Inflows	 <u>3.8</u>	 <u>15.5</u>
Investment in Capital Assets, Net of Related Debt	50.6	51.1
Restricted	5.9	2.4
Reduction of Future Property Taxes	12.4	8.9
Unassigned Deficit	<u>(44.4)</u>	<u>(49.8)</u>
Total Net Position	<u>\$ 24.5</u>	<u>\$ 12.6</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, 2016

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

	Fiscal Year 2016	Fiscal Year 2015
Changes in Net Position from Operating Results		
Program Revenues:		
Charges for Services	\$ 845,459	\$ 906,245
Operating Grants	10,106,476	10,245,793
General Revenues:		
Real Property & Utility Taxes	38,750,888	37,686,857
Use of Money and Property	97,866	46,737
Miscellaneous	2,403,643	2,256,366
State Sources	58,101,176	57,254,218
Federal Sources	214,723	222,501
Total Revenues	<u>110,520,231</u>	<u>108,618,717</u>
Expenses:		
General Support	8,417,922	8,620,614
Instruction	60,158,855	62,376,349
Pupil Transportation	5,111,874	4,555,828
Employee Benefits	21,563,659	28,616,409
Interest Expense	2,749,621	3,852,439
Other	2,402,216	2,359,243
Depreciation - Unallocated	4,250,331	3,353,639
Total Expenses	<u>104,654,478</u>	<u>113,734,521</u>
Change in Net Position	<u>\$ 5,865,753</u>	<u>\$ (5,115,804)</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2016

Table A-5: Sources of Revenue for Fiscal Year 2016

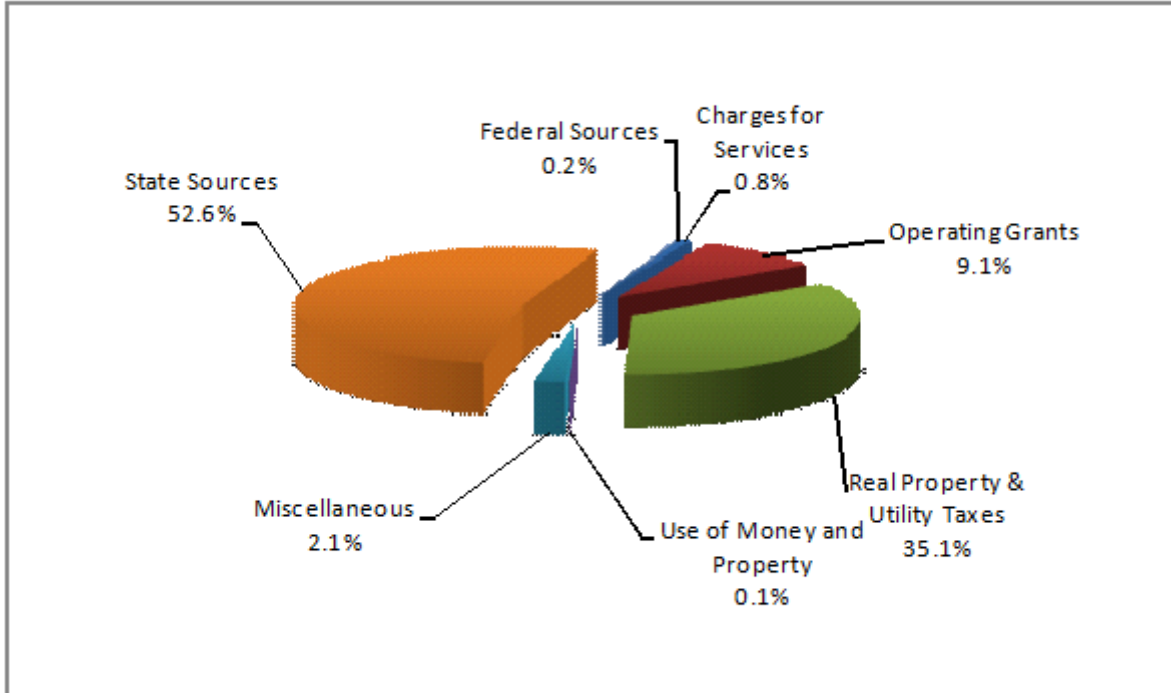
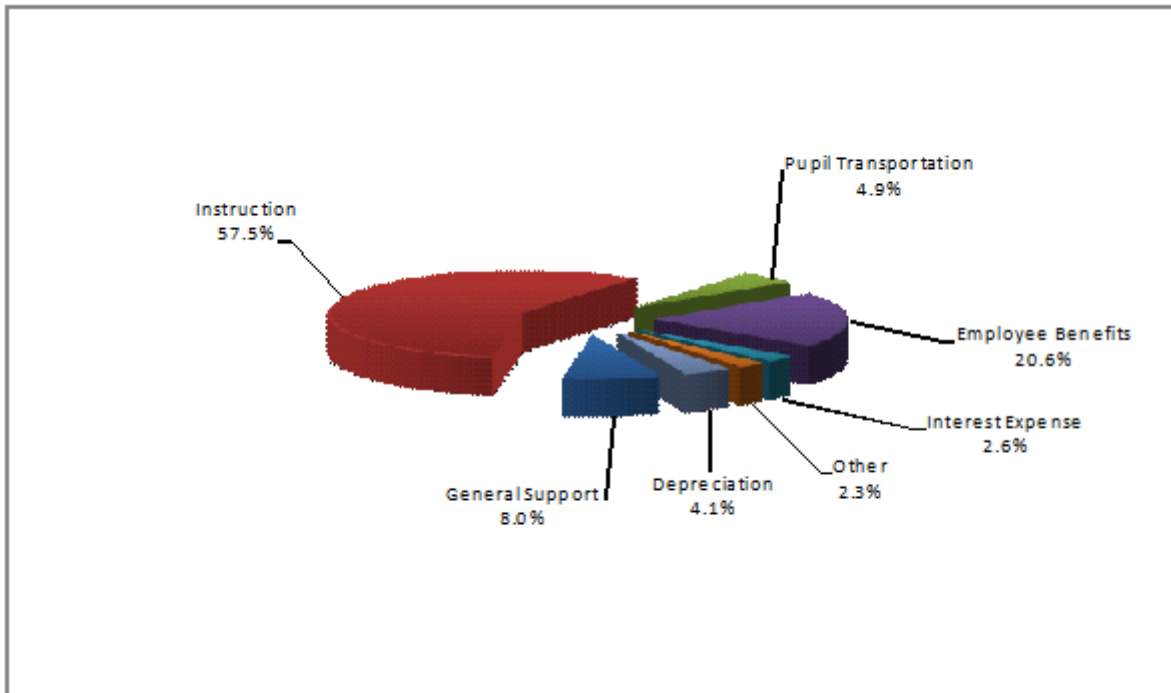


Table A-6: Expenses for Fiscal Year 2016



ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2016

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 2015-2016 were \$100,893,112 an increase of 3.5% from 2014-2015. The key factors in this increase were higher state aid and property tax receipts in 2015-2016.

Total General Fund expenditures for 2015-2016 were \$97,056,089, an increase of .6% from 2014-2015. The key factors in this increase were higher instructional and employee benefits expenditures.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2016, the District had invested \$120,814,423 net of depreciation of \$63,275,189, 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 \$355,227 from fiscal year-end 2015 (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 \$4,250,331, while equipment acquisitions and additional construction on capital projects, net of disposals, amounted to \$4,605,558 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 2016 and 2015:

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

Category	Fiscal Year-End <u>2016</u>	Fiscal Year-End <u>2015</u>
Land and Land Improvements	\$ 3.1	\$ 3.2
Construction in Progress	64.3	61.3
Buildings	51.3	54.4
Machinery, Equipment and Vehicles	<u>2.1</u>	<u>1.6</u>
Total	<u>\$ 120.8</u>	<u>\$ 120.5</u>

Short-Term Debt

The District borrowed \$8,400,000 in bond anticipation notes in July 2015 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, 2016

Long-Term Debt

At year-end June 30, 2016 the District had \$71.4 million in general obligation and approximately \$76.8 million in other long-term debt outstanding. 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>2016</u>	Fiscal Year-End <u>2015</u>
Serial and Statutory Installment Bonds	\$ 71,374,550	\$ 68,640,000
Unamortized Bond Premium	6,756,550	6,205,844
Compensated Absences	3,686,604	3,521,792
Other Postemployment Benefits	62,571,124	53,968,338
Pension Liability	<u>3,837,025</u>	<u>810,005</u>
	<u>\$ 148,225,853</u>	<u>\$ 133,145,979</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:

Enlarged City School District of Troy, New York
Attn: Assistant Superintendent for Business
475 1st Street
Troy, New York 12180
(518) 328-5005

INDEPENDENT AUDITOR'S REPORT

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, 2016, 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 misstatements, 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, 2016, 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 49-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information on pages 54-58 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 63 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplemental information on pages 54-58 and the schedule of expenditures of federal awards on page 63 are the responsibility of management and was 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 5, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 5, 2016

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF NET POSITION

JUNE 30, 2016

<u>ASSETS AND DEFERRED OUTFLOWS</u>	
Current Assets:	
Unrestricted Cash	\$ 26,076,347
Restricted Cash	11,413,180
Taxes Receivable	4,719,356
State and Federal Aid Receivable	6,314,253
Due from Other Governments	1,428,893
Accounts Receivable	389,860
Inventories	83,858
Capital Assets, Net	120,814,423
Net Pension Assets	<u>21,677,739</u>
Total Assets	192,917,909
Deferred Outflows, Pension	<u>3,583,092</u>
Total Assets and Deferred Outflows	<u>\$ 196,501,001</u>

<u>LIABILITIES AND DEFERRED INFLOWS</u>	
Current Liabilities:	
Accounts Payable	\$ 2,732,496
Accrued Liabilities	2,889,415
Due to Other Governments	914
Accrued Interest	831,950
Due to Teachers' Retirement System	4,640,963
Due to Employees' Retirement System	264,150
Bond Anticipation Notes Payable	8,400,000
Overpayments and Collections in Advance	16,982
Unearned Revenue	175,146
Bonds Due and Payable within One Year	5,090,000
Long-term Liabilities:	
Bonds	66,284,550
Unamortized Bond Premium	6,756,550
Compensated Absences	3,686,604
Other Postemployment Benefits	62,571,124
Net Pension Liability	<u>3,837,025</u>
Total Liabilities	168,177,869
Deferred Inflows, Pension	<u>3,847,838</u>
Total Liabilities and Deferred Inflows	<u>172,025,707</u>

<u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	50,564,257
Restricted for:	
Debt	3,979,564
Other Reserves	1,957,740
Unassigned:	
Reduction of Future Property Taxes	12,425,000
Unassigned Deficit	<u>(44,451,267)</u>
Total Net Position	<u>24,475,294</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 196,501,001</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	<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	\$ 8,417,922	\$ (76,506)	\$ (155,397)	\$ 8,186,019
Instruction	60,158,855	(700,881)	(7,704,294)	51,753,680
Pupil Transportation	5,111,874	-	-	5,111,874
Community Service	32,884	-	-	32,884
Employee Benefits	21,563,659	-	-	21,563,659
Debt Service - Interest	2,749,621	-	-	2,749,621
Depreciation - Unallocated (includes direct expense of various functions and programs)	4,250,331	-	-	4,250,331
School Lunch Program	<u>2,369,332</u>	<u>(68,072)</u>	<u>(2,246,785)</u>	<u>54,475</u>
Total Functions and Programs	<u>\$ 104,654,478</u>	<u>\$ (845,459)</u>	<u>\$ (10,106,476)</u>	<u>93,702,543</u>
General Revenues:				
Real Property Taxes				32,196,999
Other Tax Items				5,204,802
Nonproperty Taxes				1,349,087
Use of Money and Property				49,709
Sale of Property and Compensation for Loss				48,157
State Sources				58,101,176
Federal Sources				214,723
Miscellaneous				2,338,375
Net Premium on BAN Issuance				<u>65,268</u>
Total General Revenues				<u>99,568,296</u>
Change in Net Position				5,865,753
Total Net Position, Beginning of Year				<u>18,609,541</u>
Total Net Position, End of Year				<u>\$ 24,475,294</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS AND
RECONCILIATION TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Current Assets:			
Cash			
Unrestricted	\$ 24,141,833	\$ 1,934,514	\$ 26,076,347
Restricted	1,888,796	9,524,384	11,413,180
Receivables			
Taxes	4,719,356	-	4,719,356
Due from Other Funds	2,612,377	3,647,606	6,259,983
State and Federal Aid	3,649,188	2,665,065	6,314,253
Due from Other Governments	1,428,893	-	1,428,893
Other	389,860	-	389,860
Inventories	-	83,858	83,858
Total Assets	<u>\$ 38,830,303</u>	<u>\$ 17,855,427</u>	<u>\$ 56,685,730</u>
Current Liabilities:			
Payables			
Accounts Payable	\$ 2,441,167	\$ 291,329	\$ 2,732,496
Accrued Liabilities	2,889,415	-	2,889,415
Due to Other Funds	3,645,669	2,614,314	6,259,983
Due to Other Governments	169	745	914
Due to Teachers' Retirement System	4,640,963	-	4,640,963
Due to Employees' Retirement System	264,150	-	264,150
Bond Anticipation Notes Payable	-	8,400,000	8,400,000
Overpayments and Collections in Advance	16,982	-	16,982
Unearned Revenue	-	175,146	175,146
Total Liabilities	<u>13,898,515</u>	<u>11,481,534</u>	<u>25,380,049</u>
Deferred Inflows of Resources:			
Uncollected Real Estate Taxes	<u>4,123,615</u>	<u>-</u>	<u>4,123,615</u>
Fund Balances:			
Nonspendable:			
Inventories	-	83,858	83,858
Restricted for:			
Employee Benefits Accrued Liabilities	1,199,702	-	1,199,702
Debt Service	-	3,979,564	3,979,564
Workers' Compensation	706,587	-	706,587
Unemployment Insurance	51,451	-	51,451
Assigned for:			
General Support	747,252	-	747,252
Instruction	646,343	-	646,343
Other	515,468	-	515,468
Food Service	-	1,237,170	1,237,170
Capital	-	1,073,301	1,073,301
Appropriated for Subsequent Year's Expenditures	12,425,000	-	12,425,000
Unassigned:			
Unassigned	<u>4,516,370</u>	<u>-</u>	<u>4,516,370</u>
Total Fund Balance	<u>20,808,173</u>	<u>6,373,893</u>	<u>27,182,066</u>
Total Liability, Deferred Inflows and Fund Balance	<u>\$ 38,830,303</u>	<u>\$ 17,855,427</u>	<u>\$ 56,685,730</u>

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

Total governmental fund balances per above	\$ 27,182,066
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	120,814,423
Pension assets, net of deferred outflows, inflows and pension liability.	17,575,968
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.	(75,061,154)
Deferral of charges for property taxes earned in the current year are recognized as revenue under full accrual accounting.	4,123,615
Other postemployment benefit liability is recognized as a liability under full accrual accounting.	(62,571,124)
Interest payable in the district-wide statements under full accrual accounting.	(831,950)
Premium on bond borrowings is deferred in the district-wide financial statements under full accrual accounting.	<u>(6,756,550)</u>
Net Position of Governmental Activities	<u>\$ 24,475,294</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, 2016

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Real Property Taxes	\$ 32,129,892	\$ -	\$ 32,129,892
Other Tax Items	5,204,802	-	5,204,802
Nonproperty Taxes	1,349,087	-	1,349,087
Charges for Service	777,387	-	777,387
Use of Money and Property	46,518	3,191	49,709
Sale of Property and Compensation for Loss	48,157	-	48,157
Interfund Revenues	155,400	-	155,400
State Sources	58,051,931	2,192,778	60,244,709
Federal Sources	214,723	7,843,916	8,058,639
Sales	-	68,072	68,072
Miscellaneous	2,915,215	187,852	3,103,067
Total Revenues	<u>100,893,112</u>	<u>10,295,809</u>	<u>111,188,921</u>
Expenditures:			
General Support	8,485,070	155,397	8,640,467
Instruction	53,767,642	7,685,223	61,452,865
Pupil Transportation	5,124,420	80,626	5,205,046
Community Service	32,783	-	32,783
Employee Benefits	18,138,868	-	18,138,868
Debt Service			
Principal	4,675,450	-	4,675,450
Interest	2,976,419	-	2,976,419
Cost of Sales	-	2,368,995	2,368,995
Capital Outlay	-	3,002,814	3,002,814
Total Expenditures	<u>93,200,652</u>	<u>13,293,055</u>	<u>106,493,707</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,692,460</u>	<u>(2,997,246)</u>	<u>4,695,214</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	3,855,437	3,855,437
Operating Transfers Out	(3,855,437)	-	(3,855,437)
Net Premium on BAN Issuances	-	65,268	65,268
Proceeds from Bond Issuance	-	7,410,000	7,410,000
Net Premium on Bond Issuance	-	993,706	993,706
Total Other Financing Sources (Uses)	<u>(3,855,437)</u>	<u>12,324,411</u>	<u>8,468,974</u>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	3,837,023	9,327,165	13,164,188
Fund Balance (Deficit), Beginning of Year	<u>16,971,150</u>	<u>(2,953,272)</u>	<u>14,017,878</u>
Fund Balance, End of Year	<u>\$ 20,808,173</u>	<u>\$ 6,373,893</u>	<u>\$ 27,182,066</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, 2016*

Net Changes in Fund Balance - Governmental Funds	\$ 13,164,188
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	4,605,558
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(4,250,331)
Proceeds from long-term debt is recognized as revenue in the governmental funds, but is a liability in the statement of activities.	(7,410,000)
Net pension expense in accordance with GASB 68 is a recovery of expense in the district-wide financial statements under full accrual accounting.	5,193,954
Premium on long-term debt is recognized as revenue in the governmental funds, but is a liability that is amortized over the life of the borrowing in the district-wide financial statements.	(993,706)
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.	443,000
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.	4,675,450
Certain revenue recognized in the governmental funds were recorded in the prior year as a receivable in the statement of net position.	(645,667)
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.	67,108
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The decrease in accrued interest during 2016 results in less expense.	(216,202)
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 decrease in the liability in 2016 results in less expense.	(164,813)
Certain postemployment benefits are recognized as an expense in the statement of activities under full accrual accounting.	<u>(8,602,786)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 5,865,753</u></u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
 STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION
 JUNE 30, 2016

	<u>Agency</u>	<u>Private Purpose Trusts</u>
Current Assets		
Cash - Unrestricted	\$ 236,711	\$ -
Cash - Restricted	<u>78,456</u>	<u>275,527</u>
Total Assets	<u><u>\$ 315,167</u></u>	<u><u>\$ 275,527</u></u>
Current Liabilities		
Extraclassroom Activity Balances	\$ 78,456	\$ -
Other Liabilities	<u>236,711</u>	<u>-</u>
Total Liabilities	<u><u>\$ 315,167</u></u>	<u><u>-</u></u>
Net Position		
Restricted for Scholarships		<u>275,527</u>
Total Net Position		<u><u>275,527</u></u>
 Total Liabilities and Net Position		 <u><u>\$ 275,527</u></u>

		<u>Private Purpose Trusts</u>
Additions:		
Gifts and Contributions		\$ 111,507
Investment Earnings		<u>344</u>
Total Additions		111,851
Deductions:		
Scholarship and Awards		<u>6,447</u>
Change in Net Position		105,404
Net Position - Beginning of Year		<u>170,123</u>
Net Position - End of Year		<u><u>\$ 275,527</u></u>

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.

A. Reporting Entity

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 66 - 70.

B. Joint Venture

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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Joint Venture (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, 2016, the District was billed \$7,570,416 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 \$3,265,507. BOCES additionally holds in reserve \$2,249,093 in funds originally to be used to offset postemployment benefit costs at June 30, 2016. BOCES intends to use these funds to offset future administrative charges over an original period of at least 5 years commencing in 2016.

The District is also a member in the Rensselaer-Columbia-Greene Group Health Insurance Trust (the "Trust"). The Trust is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 501(c)(9) of the Internal Revenue Code. The Trust includes New York public school districts located in Rensselaer, Columbia and Greene Counties. The Trust was formed on July 1, 1985 to allow member schools to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Trust procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Trust is not liable for any medical, dental or prescription drug claims. However, the Trust also maintains a self-insured prescription drug plan for which the individual Trust members are liable for any claims in excess of the balances maintained by the Trust. As of June 30, 2016, the District's prescription drug plan account balance maintained by the Trust is \$686,774, which approximates the estimated outstanding liability for self-insured prescription drugs. Additionally, the District has distributions receivable from the Trust of \$356,631 at June 30, 2016, which the District anticipates receiving in 2017.

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 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *Basis of Presentation (Continued)*

District-wide Statements (Continued)

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.

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.

I. **Governmental Fund Types**

The District reports the following major governmental fund:

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:

1. 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.

2. Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

3. 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.

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.

E. Unearned Revenue and Deferred Outflows and Inflows of Resources

Unearned revenue arises when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the District has legal claim to the resources, the liability is removed and revenue is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Unearned Revenue and Deferred Outflows and Inflows of Resources (Continued)

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 two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue. 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.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than July 1. Taxes are collected during the period July 1 through January 31 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, 2016, 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.

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	\$ <u>30,877</u>
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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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Cash and Investments (Continued)

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.

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 give rise to certain transactions between funds, including transfers of expenditures and transfers of revenues to provide services and construct assets.

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, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

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, 2016.

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 \$1,909,063 and \$1,237,170, respectively at June 30, 2016 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.

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.

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.

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 by adjusting journal entries.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

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.

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.

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 423 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 2016 by recording approximately \$3.5 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, 2016

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, 2008. For assets acquired prior to July 1, 2008, 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, 2016

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.

Original cost of capital assets, net of accumulated depreciation \$ 120,814,423

Other assets include the net pension assets and deferred outflows \$ 25,260,831

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.

Adjustment of deferred inflows for property taxes \$ 4,123,615

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

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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):

Debt Transaction Differences (Continued)

Bonds payable	\$ 71,374,550
Compensated absences payable	\$ 3,686,604
Post-employment benefits payable	\$ 62,571,124
Premium on serial bond payable	\$ 6,756,550
Net pension liability and related deferred inflows	<u>\$ 7,684,863</u>

In the Statement of Activities and Change in Net Position, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (usually, the amounts actually paid). This year, postemployment benefits paid of \$3,534,092 were less than the amounts incurred of \$12,136,878. Also, compensated absences (vacations used) were more than the amounts incurred by \$164,813.

Also in the Statement of Activities and Changes in Net Position, certain revenues are reported under the modified accrual method in the governmental statements for insurance rebates (\$645,667) and property tax revenue (\$67,108) but are reported in the year earned under full accrual.

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities and Change in Net Position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$4,250,331 was less than capital expenditures of \$4,605,558 in the current year.

Repayment of bond principal of \$4,675,450 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities, whereas the proceeds of long-term debt is a revenue in the governmental funds but is a liability in the Statement of Net Position. Additionally, the premium the District received on its serial bond issuance of \$993,706 is amortized over the life of the borrowing in the statement of activities and change in Net Position resulting in a current year reduction to interest expense of \$443,000.

Interest on long-term debt in the Statement of Activities and Change in Net Position differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities and Change in Net Position, however, interest expense is recognized as the interest accrues, regardless of when it is due. The lower interest reported in the Statement of Activities and Change in Net Position is the result of a increase in accrued interest on bonds and the bond anticipation notes of \$216,202. In addition, the net pension expense resulted in a recovery of expense of \$5,193,954 in the statement of 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 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

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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. New Accounting Standards

The District has adopted and implemented GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the year ended June 30, 2016.

The District has also adopted and implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ended June 30, 2016.

U. Future Changes in Accounting Standards

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

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.

V. Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 5, 2016, 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, 2016 all deposits were fully insured and collateralized by the District's agent in the District's name.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

I. Cash (Continued)

2. Restricted Cash

General

Restricted cash of \$1,888,796 consists of amounts set aside by the District to fund a portion of the District's restricted reserves.

\$8.4 Million Capital Project

Restricted cash of \$9,524,384 consists of unexpended BAN and serial bond borrowings restricted to be spent on the capital project.

Fiduciary

Restricted cash of \$353,989 consists of \$78,458 for extraclassroom activity funds and \$275,527 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	\$ 2,612,377	\$ 3,645,669	\$ -	\$ 3,855,437
Special Aid Fund	145,668	2,561,513	131,337	-
School Lunch	-	50,863	-	-
Debt Service	3,501,938	-	3,500,000	-
Capital Projects Fund	<u>-</u>	<u>1,938</u>	<u>224,100</u>	<u>-</u>
Total Government Activities	<u>\$ 6,259,983</u>	<u>\$ 6,259,983</u>	<u>\$ 3,855,437</u>	<u>\$ 3,855,437</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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

III. Other Receivables

Other receivables in the government funds at June 30, 2016 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Retirement Health Premiums	\$ 191,827
General Fund	SUNY Grant	107,610
General Fund	E-Rate	80,937
General Fund	Other	9,486
		<u>\$ 389,860</u>

IV. Capital Assets

Capital asset balances for the year ended June 30, 2016 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	<u>61,265,637</u>	<u>3,002,814</u>	<u>-</u>	<u>64,268,451</u>
Total nondepreciable historical cost	<u>61,610,953</u>	<u>3,002,814</u>	<u>-</u>	<u>64,613,767</u>
Capital assets that are depreciated:				
Buildings	101,472,897	-	-	101,472,897
Machinery and equipment	12,013,872	1,492,008	(28,146)	13,477,734
Land improvements	3,990,725	-	-	3,990,725
Vehicles	<u>412,550</u>	<u>121,939</u>	<u>-</u>	<u>534,489</u>
Total depreciable historical cost	<u>117,890,044</u>	<u>1,613,947</u>	<u>(28,146)</u>	<u>119,475,845</u>
Less accumulated depreciation:				
Buildings	47,181,573	2,988,541	-	50,170,114
Machinery and equipment	10,417,496	1,063,110	(16,943)	11,463,663
Land improvements	1,039,533	174,197	-	1,213,730
Vehicles	<u>403,199</u>	<u>24,483</u>	<u>-</u>	<u>427,682</u>
Total accumulated depreciation	<u>59,041,801</u>	<u>4,250,331</u>	<u>(16,943)</u>	<u>63,275,189</u>
Total capital assets, net	<u>\$ 120,459,196</u>	<u>\$ 366,430</u>	<u>\$ (11,203)</u>	<u>\$ 120,814,423</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.

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Plan Descriptions

Teachers' Retirement System. The TRS is administered by the New York State Teachers' Retirement Board. The System provides benefits to plan members and beneficiaries as authorized by Article II of the New York State Education Law. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395, or by referring to the System's website at www.nystrs.org.

Employees' Retirement System. The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund, 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 (the "Comptroller") serves as sole trustee and administrative head of the System. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("NYSRSSL"). 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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Alfred E. Smith State Office Building, Albany, NY 12204, or by referring to www.osc.state.ny.us/retire/publications/index.php.

TRS Contributions

Pursuant to Article II of the New York State Education Law, employers are required to contribute at an actuarially determined rate applicable to member salaries. The rate is adopted annually by the Retirement Board. The actuarially determined contribution rate applicable to 2015-16 member salaries was 16.25%. The System is noncontributory for Tier 1 and 2 members. Tier 3 and 4 employees who joined the System after July 27, 1976, contribute 3% of their salary for the first ten years of membership. Tier 5 members who joined on or after January 1, 2010 contribute 3.5% of their salary for their entire length of service. Tier 6 members, who joined on or after April 1, 2012, are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

ERS Contributions

The System is noncontributory except for employees who joined the System 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% of their salary for their entire length of service.

For the New York State and Local Employees' Retirement System, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

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>
2015-2016	\$ 1,035,853	\$ 5,781,619
2014-2015	\$ 1,150,543	\$ 5,086,335
2013-2014	\$ 1,332,650	\$ 3,623,958

The District's contributions made to the Systems were equal to 100 percent of the contributions required for each year. The approximate rates paid in the three years from 2013 - 2015 for ERS were 20.9%, 20.1% and 20.4% for the largest employee group, respectively, and the rates for TRS from 2013-2015 were 11.11%, 11.84% and 16.25%, 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, 2011 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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

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

At June 30, 2016, the District reported a net pension asset of \$21,677,739 (TRS) and a net liability of \$3,837,702 (ERS) for its proportionate share of the net pension asset or liability. The net pension asset (TRS) was measured as of June 30, 2015, and the net pension liability (ERS) was measured as of March 31, 2016. 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.

At June 30, 2016, the District's proportion was .209% for TRS and .024% for ERS.

For the year ended June 30, 2016, the District recognized a net pension expense of \$(5,193,954) resulting from a recovery of \$(5,619,095) for TRS partially offset by an expense of \$425,141 for ERS.

At June 30, 2016, 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	\$ -	\$ 19,389	\$ 19,389
Changes of assumptions	-	1,023,219	1,023,219
Contributions made subsequent to the measurement date	-	264,150	264,150
Net difference between projected and actual earnings on pension plan investments	-	2,276,334	2,276,334
	<u>\$ -</u>	<u>\$ 3,583,092</u>	<u>\$ 3,583,092</u>

At June 30, 2016, 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	\$ 600,783	\$ 454,815	\$ 1,055,598
Net difference between projected and actual earnings on pension plan investments	6,852,446	-	6,852,446
Changes in proportion and differences between employer contributions and proportionate share of contributions	260,484	17,893	278,377
Contributions made subsequent to the measurement date	(4,338,583)	-	(4,338,583)
	<u>\$ 3,375,130</u>	<u>\$ 472,708</u>	<u>\$ 3,847,838</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Pension Assets, Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30, 2017	\$ (2,074,866)
June 30, 2018	(2,074,866)
June 30, 2019	(2,074,866)
June 30, 2020	1,791,579
June 30, 2021	(106,701)
Thereafter	(327,759)
	<u>\$ (4,867,479)</u>

	<u>TRS</u>	<u>ERS</u>
Covered Payroll	<u>\$ 32,719,326</u>	<u>\$ 6,092,745</u>

TRS Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation	3.0%
Projected salary increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

	<u>Age</u>	<u>Female</u>	<u>Male</u>
	25	10.35%	10.91%
	35	6.25%	6.27%
	45	5.39%	5.04%
	55	4.42%	4.01%

Projected COLAs	1.625% compounded annually
Investment rate of return	8.0% compounded annually, net of pension plan investment expense, including inflation

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

TRS Actuarial Assumptions (Continued)

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA.

The long-term expected 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 returns (expected return, 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 March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2015 valuation were a follows:

Interest rate	7.0%
Salary increase	4.9%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.7%

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, 2011 valuation are based on the results of an actuarial experience study for the period August 1, 2010 - March 31, 2015.

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 are as follows:

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

Long-Term Expected Real Rate of Return

<u>Asset Class</u>	<u>Expected Real Rate of Return</u>
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	2.00%

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% 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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

3. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

I. Pension Plans (Continued)

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 8.0 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%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<u>TRS</u>			
Employer's proportionate Share of the net pension asset (liability)	\$ <u>(1,478,701)</u>	\$ <u>21,677,739</u>	\$ <u>41,425,320</u>
<u>ERS</u>			
Employer's proportionate share of the net pension liability (assets)	\$ <u>8,652,212</u>	\$ <u>3,837,025</u>	\$ <u>(231,603)</u>

Pension Plan Fiduciary Net Position

The components of the net pension asset (TRS) and liability (ERS) of the employer as of June 30, 2015 and March 31, 2016, respectively, were as follows (in thousands):

	<u>TRS</u>	<u>ERS</u>
Employers' total pension liability	\$ 99,332,104	\$ 202,651,271
Fiduciary net position	<u>109,718,917</u>	<u>183,640,205</u>
Employers' net pension asset (liability)	\$ <u>10,386,813</u>	\$ <u>(19,011,066)</u>
 Ratio of fiduciary net position to the employers' total pension liability	 <u>110.4%</u>	 <u>90.6%</u>

Restatement of Net Position

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflows of resources, liability and deferred inflows of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. For the fiscal year ended June 30, 2015, the deferred outflows of resources for contributions made subsequent to the measurement date was reported as zero when it should have been \$6,040,800 due to the misinterpretation of GASB No. 71. As a result, the net position at June 30, 2015 has been restated to increase net assets by \$6,040,800.

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)**B. Liabilities (Continued)****II. Postemployment Benefits**

The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The District has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This required the District to calculate and record a net other postemployment benefit obligation ("OPEB") at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund level financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$3,534,092 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2014 which indicates that the total liability for other postemployment benefits is \$62,571,124, which is reflected in the Statement of Net Assets.

Funding Policy: The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the New York State law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go".

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC presents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 12,979,720
Interest on net OPEB obligation	2,158,734
Adjustment to annual required contribution	<u>(3,001,576)</u>
Annual OPEB cost	12,136,878
Contributions made	<u>(3,534,092)</u>
Increase in net OPEB obligations	8,602,786
Net OPEB obligation - beginning of year	<u>53,968,338</u>
Net OPEB obligation - end of year	<u><u>\$ 62,571,124</u></u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

II. Postemployment Benefits (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 12,136,878	29.1%	\$ 62,571,124
6/30/15	\$ 12,058,388	29.7%	\$ 53,968,338
6/30/14	\$ 9,963,364	29.1%	\$ 45,495,270

Funded Status and Funding Progress: As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$62,571,124 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$131,967,188. The covered payroll (annual payroll of active employees covered by the plan was \$35,473,616 and the ratio of the UAAL to the covered payroll was 372%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5% in 2022. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 24 years.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness

1. Short-Term Debt

Transactions in short-term debt related to bond anticipation notes for the year ended June 30, 2016:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
07/01/14	.82%	\$ 720,000	\$ -	\$ 720,000	\$ -
07/01/16	.70%	-	8,400,000	-	8,400,000
		<u>\$ 720,000</u>	<u>\$ 8,400,000</u>	<u>\$ 720,000</u>	<u>\$ 8,400,000</u>

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

Interest paid	\$ 5,904
Less interest accrued in the prior year	(5,674)
Plus interest accrued in the current year	<u>125,650</u>
Total Expense	<u>\$ 125,880</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 \$2,970,515 of expenditures for serial and statutory bond debt interest in the governmental funds statement of revenues, expenditures and changes in fund balances.

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

Interest paid	\$ 2,970,515
Less interest accrued in the prior year	(610,004)
Less amortization of bond premium	(443,000)
Plus interest accrued in the current year	<u>706,230</u>
Total Expense	<u>\$ 2,623,741</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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

2. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

III. Indebtedness (Continued)

b. Other Long-term Debt (Continued)

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

3. Changes

The changes in indebtedness during the year ended June 30, 2016 are summarized as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Serial Bonds	\$ 68,640,000	\$ 7,410,000	\$ 4,675,450	\$ 71,374,550
Compensated Absences	3,521,792	164,812	-	3,686,604
Other Postemployment Benefits	53,968,338	12,136,878	3,534,092	62,571,124
Pension Liability	810,005	3,027,020	-	3,837,025
Unamortized Bond Premium	<u>6,205,844</u>	<u>993,706</u>	<u>443,000</u>	<u>6,756,550</u>
	<u>\$ 133,145,979</u>	<u>\$ 23,732,416</u>	<u>\$ 8,652,542</u>	<u>\$ 148,225,853</u>

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

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</u> <u>June 30,</u> <u>2016</u>
District-wide Reconstruction Series 2008	Serial Bond	07/01/08	07/01/29	4.00%	\$ 1,555,000
District-wide Renovations, Bonds, 2010	Serial Bond	07/01/10	06/15/25	3.881%	4,435,000
School District Refunding Bonds, 2011	Serial Bond	05/25/11	07/15/21	2.00 - 3.125%	4,965,000
School Construction Bonds, 2012	Serial Bond	06/14/12	06/15/27	1.30 - 4.35%	3,880,000
Bond Authorization Series 2014	Serial Bond	07/12/14	06/15/29	2.00 - 5.00%	38,035,000
School District Refunding Bonds 2015	Serial Bond	03/31/15	07/01/28	2.00 - 5.00%	11,094,550
District-wide Renovations, Bonds, 2016	Serial Bond	06/15/16	06/15/31	2.00 - 5.00%	<u>7,410,000</u>
Total					<u>\$ 71,374,550</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

2. **DETAIL NOTES ON ALL FUNDS**

B. Liabilities (Continued)

III. Indebtedness (Continued)

4. Maturity (Continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,090,000	\$ 3,737,870	\$ 8,827,870
2018	5,355,000	3,481,787	8,836,787
2019	5,535,000	2,752,873	8,287,873
2020	5,760,000	2,525,703	8,285,703
2021	5,205,000	2,287,146	7,492,146
2022-2026	26,975,000	7,803,043	34,778,043
2027-2031	<u>17,454,550</u>	<u>1,660,301</u>	<u>19,114,851</u>
Total	<u>\$ 71,374,550</u>	<u>\$ 24,248,723</u>	<u>\$ 95,623,273</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, 2016, the District has exhausted approximately 86% 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.

3. CONTINGENCIES AND COMMITMENTS (CONTINUED)

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

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, 2016

SUPPLEMENTAL SCHEDULE #1

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
Revenues:				
Local Sources:				
Real property taxes	\$ 36,109,217	\$ 32,360,121	\$ 32,129,892	\$ (230,229)
Other tax items	1,040,000	4,789,096	5,204,802	415,706
Nonproperty taxes	1,450,000	1,450,000	1,349,087	(100,913)
Charges for service	826,875	826,875	777,387	(49,488)
Use of money and property	89,500	89,500	46,518	(42,982)
Sale of property and compensation for loss	54,600	54,600	48,157	(6,443)
Miscellaneous	1,310,667	1,341,543	2,770,652	1,429,109
Interfund revenues and operating transfers	<u>317,000</u>	<u>317,000</u>	<u>155,400</u>	<u>(161,600)</u>
Total Local Sources	41,197,859	41,228,735	42,481,895	1,253,160
State sources	57,610,992	57,610,992	58,051,931	440,939
Medicaid Reimbursement	430,000	430,000	214,723	(215,277)
Interest Subsidy - Build American Bonds	<u>-</u>	<u>-</u>	<u>144,563</u>	<u>144,563</u>
Total Revenues	99,238,851	99,269,727	\$ 100,893,112	\$ <u>1,623,385</u>
Other Financing Sources:				
Appropriated fund balance	<u>8,925,000</u>	<u>11,133,537</u>		
Total Revenues and Other Financing Sources	<u>\$ 108,163,851</u>	<u>\$ 110,403,264</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, 2016

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	\$ 94,996	\$ 110,020	\$ 99,407	\$ 4,127	\$ 6,486
Central administration	244,983	243,735	240,583	-	3,152
Finance	832,748	1,261,692	1,130,774	52,354	78,564
Staff	777,124	783,777	605,246	100,000	78,531
Central services	8,099,151	8,707,035	5,658,823	590,301	2,457,911
Special items	<u>988,085</u>	<u>985,941</u>	<u>750,237</u>	<u>470</u>	<u>235,234</u>
Total General Support	<u>11,037,087</u>	<u>12,092,200</u>	<u>8,485,070</u>	<u>747,252</u>	<u>2,859,878</u>
Instruction:					
Instruction, administration and improvement	3,683,397	3,771,684	3,453,236	114,214	204,234
Teaching - regular school	32,188,554	32,421,109	30,071,736	273,543	2,075,830
Programs for children with handicapping conditions	15,346,570	15,048,203	13,906,414	49,164	1,092,625
Occupational education	921,728	933,992	919,118	146	14,728
Teaching - special school	554,600	453,864	398,798	-	55,066
Instructional media	986,094	1,854,944	1,470,324	202,649	181,971
Pupil services	<u>3,990,793</u>	<u>4,037,851</u>	<u>3,548,016</u>	<u>6,627</u>	<u>483,208</u>
Total Instruction	<u>57,671,736</u>	<u>58,521,647</u>	<u>53,767,642</u>	<u>646,343</u>	<u>4,107,662</u>
Other:					
Pupil transportation	5,796,036	5,503,026	5,124,420	42,363	336,243
Community service	52,488	52,488	32,783	-	19,705
Employee benefits	24,945,507	22,664,929	18,138,868	473,105	4,052,956
Debt service	<u>8,442,997</u>	<u>7,725,848</u>	<u>7,651,869</u>	<u>-</u>	<u>73,979</u>
Total Other	<u>39,237,028</u>	<u>35,946,291</u>	<u>30,947,940</u>	<u>515,468</u>	<u>4,482,883</u>
Total Expenditures	107,945,851	106,560,138	93,200,652	1,909,063	11,450,423
Other Financing Uses:					
Transfers to other funds	<u>218,000</u>	<u>3,843,126</u>	<u>3,855,437</u>	<u>-</u>	<u>(12,311)</u>
Total Expenditures and Other Uses	<u>\$ 108,163,851</u>	<u>\$ 110,403,264</u>	<u>97,056,089</u>	<u>\$ 1,909,063</u>	<u>\$ 11,438,112</u>
Net Changes in Fund Balances			<u>\$ 3,837,023</u>		

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLANS
 FOR THE YEAR ENDED JUNE 30, 2016

SUPPLEMENTAL SCHEDULE #2

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a percentage of covered payroll (b-a)c)
July 1, 2014	\$ -	\$ 131,967,188	\$ 131,967,188	0%	\$ 35,473,616	372%
July 1, 2013	\$ -	\$ 116,338,094	\$ 116,338,094	0%	\$ 34,767,885	335%
July 1, 2012	\$ -	\$ 108,364,894	\$ 108,364,894	0%	\$ 33,737,828	321%
July 1, 2011	\$ -	\$ 104,058,921	\$ 104,058,921	0%	\$ 37,058,970	281%

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSETS/LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

SUPPLEMENTAL SCHEDULE #3

<u>TRS</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Proportionate share of net pension assets	\$ 21,677,739	\$ 22,434,544
Covered payroll	\$ 32,719,326	\$ 30,607,552
Proportionate share of net pension asset as a percentage of covered payroll	66.3%	73.3%
Plan fiduciary net position as a percentage of total pension asset	110.5%	111.4%

<u>ERS</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Proportionate share of net pension liability	\$ 3,837,025	\$ 810,005
Covered payroll	\$ 6,092,745	\$ 6,287,935
Proportionate share of net pension liability as a percentage of covered payroll	63.0%	12.9%
Plan fiduciary net position as a percentage of total pension liability	90.6%	97.9%

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.

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLANS

FOR THE YEAR ENDED JUNE 30, 2016

SUPPLEMENTAL SCHEDULE # 4

<u>TRS</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,781,619	\$ 5,086,335
Contributions in relation to the contractually required contribution	<u>5,781,619</u>	<u>5,086,335</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 32,719,326	\$ 30,607,552
Contributions as a percentage of covered-employee payroll	17.7%	16.6%

<u>ERS</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,035,853	\$ 1,150,543
Contributions in relation to the contractually required contribution	<u>1,035,853</u>	<u>1,150,543</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,092,745	\$ 6,287,935
Contributions as a percentage of covered-employee payroll	17.0%	18.3%

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, 2016

SUPPLEMENTAL SCHEDULE #5

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 108,163,850
Add: Prior Year's Encumbrances	<u>2,208,537</u>
Original Budget	110,372,387
Budget Revision - Gifts and Donations	<u>30,877</u>
Final Budget	<u>\$ 110,403,264</u>

Section 1318 of Real Property Tax Law Limit Calculation

2016-17 expenditure budget	\$ 112,909,509
Maximum allowed 4% of 2014-15 budget	<u>\$ 4,516,380</u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 1,909,063
Unassigned fund balance	<u>16,941,370</u>
Total unrestricted fund balance	<u>18,850,433</u>
Less:	
Appropriated fund balance	12,425,000
Encumbrances included in assigned fund balance	<u>1,909,063</u>
Total adjustments	<u>14,334,063</u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u>\$ 4,516,370</u>
Actual percentage	<u>\$ 3.99%</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, 2016

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>	
Spring 2013 - Various	(1)	\$ 56,362,233	\$ 56,362,333	\$ 56,317,012	\$ -	\$ 56,317,012	\$ 45,321
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	7999.004	<u>8,400,000</u>	<u>8,400,000</u>	<u>4,791,551</u>	<u>3,002,814</u>	<u>7,794,365</u>	<u>605,635</u>
Total		<u>\$ 64,962,233</u>	<u>\$ 64,962,333</u>	<u>\$ 61,265,637</u>	<u>\$ 3,002,814</u>	<u>\$ 64,268,451</u>	<u>\$ 693,882</u>

(1) Various capital project numbers including:

<u>Title</u>	<u>Number</u>
Doyle Middle School Reconstruction (DMS)	0012.014
Troy High School (THS)	0011.024
Athletic Storage Building (THS)	2004.002

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

FOR THE YEAR ENDED JUNE 30, 2016

SUPPLEMENTAL SCHEDULE #7

Capital Assets, Net \$ 120,814,423

Deduct:

Short-term portion of bonds and bond anticipation notes payable	\$ 13,490,000	
Long-term portion of bonds payable	66,284,550	
Less: unspent bond anticipation note proceeds	<u>(9,524,384)</u>	<u>70,250,166</u>

Investment in Capital Assets, Net of Related Debt \$ 50,564,257

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

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	\$ -	\$ 187,236	\$ 1,269,652	\$ 477,626	\$ 1,934,514
Restricted	9,524,384	-	-	-	9,524,384
Receivables					
Due from other funds	-	145,668	-	3,501,938	3,647,606
State and federal aid	-	2,510,430	154,635	-	2,665,065
Other	-	-	-	-	-
Inventories	-	-	83,858	-	83,858
Total Assets	<u>\$ 9,524,384</u>	<u>\$ 2,843,334</u>	<u>\$ 1,508,145</u>	<u>\$ 3,979,564</u>	<u>\$ 17,855,427</u>
Current Liabilities:					
Payables					
Accounts payable	\$ 49,145	\$ 106,675	\$ 135,509	\$ -	\$ 291,329
Due to other funds	1,938	2,561,513	50,863	-	2,614,314
Due to other governments	-	-	745	-	745
Bond anticipation notes payable	8,400,000	-	-	-	8,400,000
Unearned revenue	-	175,146	-	-	175,146
Total Liabilities	<u>8,451,083</u>	<u>2,843,334</u>	<u>187,117</u>	<u>-</u>	<u>11,481,534</u>
Fund Balance:					
Nonspendable:					
Inventories	-	-	83,858	-	83,858
Restricted for:					
Debt service	-	-	-	3,979,564	3,979,564
Assigned for:					
Food service	-	-	1,237,170	-	1,237,170
Capital	1,073,301	-	-	-	1,073,301
Total Fund Balance	<u>1,073,301</u>	<u>-</u>	<u>1,321,028</u>	<u>3,979,564</u>	<u>6,373,893</u>
 Total Liabilities and Fund Balance	 <u>\$ 9,524,384</u>	 <u>\$ 2,843,334</u>	 <u>\$ 1,508,145</u>	 <u>\$ 3,979,564</u>	 <u>\$ 17,855,427</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, 2016

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	\$ -	\$ -	\$ 1,253	\$ 1,938	\$ 3,191
State sources	-	2,130,707	62,071	-	2,192,778
Sales	-	-	68,072	-	68,072
Miscellaneous	-	-	187,852	-	187,852
Federal sources	-	5,659,202	2,184,714	-	7,843,916
Total Revenues	<u>-</u>	<u>7,789,909</u>	<u>2,503,962</u>	<u>1,938</u>	<u>10,295,809</u>
Expenditures:					
General support	-	155,397	-	-	155,397
Instruction	-	7,685,223	-	-	7,685,223
Pupil transportation	-	80,626	-	-	80,626
Cost of sales	-	-	2,368,995	-	2,368,995
Capital outlay	3,002,814	-	-	-	3,002,814
Total Expenditures	<u>3,002,814</u>	<u>7,921,246</u>	<u>2,368,995</u>	<u>-</u>	<u>13,293,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,002,814)</u>	<u>(131,337)</u>	<u>134,967</u>	<u>1,938</u>	<u>(2,997,246)</u>
Other Financing Sources:					
Operating transfers in	224,100	131,337	-	3,500,000	3,855,437
Net Premium on BAN issuance	-	-	-	65,268	65,268
Proceeds from bond issuance	7,410,000	-	-	-	7,410,000
Net premium on bond issuance	993,706	-	-	-	993,706
Total Other Sources	<u>8,627,806</u>	<u>131,337</u>	<u>-</u>	<u>3,565,268</u>	<u>12,324,411</u>
Excess of Revenues and Other Sources Over Expenditures	5,624,992	-	134,967	3,567,206	9,327,165
Fund Balance (Deficit), Beginning of Year	<u>(4,551,691)</u>	<u>-</u>	<u>1,186,061</u>	<u>412,358</u>	<u>(2,953,272)</u>
Fund Balance, End of Year	<u>\$ 1,073,301</u>	<u>\$ -</u>	<u>\$ 1,321,028</u>	<u>\$ 3,979,564</u>	<u>\$ 6,373,893</u>

FEDERAL AWARD PROGRAM INFORMATION

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

To the Board of Education
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 the Enlarged City School District of Troy, New York (the “District”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 5, 2016.

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

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 5, 2016

**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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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* (CFR) 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 on 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, 2016.

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 our 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 our 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 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 5, 2016

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

<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	0021-15-2530	\$ 264,990
ESEA Title I	84.010	0021-16-2530	1,687,634
Title I School Improvement	84.010	0011-15-2128	52,979
Title I School Improvement	84.010	0011-16-2128	111,912
Total CFDA #84.010			<u>2,117,515</u>
Special Education Cluster (IDEA)			
IDEA, Part B, Section 611	84.027	0032-15-0760	1,300,294
IDEA, Part B, Section 619	84.173	0187-16-6119	75,329
Total Special Education Cluster (IDEA)			<u>1,375,623</u>
Career and Technical Education	84.048	8039-15-0014	3,560
Career and Technical Education	84.048	8039-16-0014	168,237
Total CFDA #84.048			<u>171,797</u>
Twenty First Century Community Learning	84.287	0033-16-0760	<u>619,626</u>
Title III - Part A, LEP	84.365	0293-15-2530	48,583
Title III - Part A, LEP	84.365	0293-16-2530	442,820
Total CFDA #84.365			<u>491,403</u>
Title II - Part A - Teaching and Principal Training	84.367	0149-15-2530	9,527
Title II - Part A - Teaching and Principal Training	84.367	0147-16-2530	10,049
Total CFDA #84.367			<u>19,576</u>
Homeless Children - ARRA Funded	84.387	5212-16-4015	<u>39,050</u>
Title I - School Improvement 1003(G) - ARRA Funded	84.388	5123-16-4109	797,780
Title I - School Improvement 1003(G) - ARRA Funded	84.388	5123-15-4109	26,719
Total CFDA #84.388			<u>824,499</u>
Race-To-The-Top (RTTT) - ARRA Funded	84.395	5540-15-0006	<u>113</u>
Total Passed Through New York State Education Department			<u>5,659,202</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
School Breakfast Program	10.553	-	627,557
School Lunch Program	10.555	-	1,419,725
School Snack Program	10.555	-	17,325
Food Surplus	10.555	-	112,308
Total Child Nutrition Cluster			<u>2,176,915</u>
School Dinner Program	10.558		<u>7,799</u>
Total Federal Assistance			<u>\$ 7,843,916</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards was prepared on the accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred.

The amounts reported as federal expenditures on the schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable programs and periods. The non-federal share of expenditures, if any, is excluded from the schedule.

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 Child Nutrition Program	\$ 2,176,915
CFDA #84.027 Special Education - Grants to States (IDEA, Part B)	1,300,294
CFDA #84.173 Special Education - Preschool Grants (IDEA, Preschool)	75,239
CFDA #84.010 Title I Grants to Local Educational Agencies	<u>2,117,515</u>
Total	<u>\$ 5,669,963</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, 2016, the School District received food commodities totaling \$112,308.

5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Federal Aid per Financial Statements	\$ 8,058,639
Less: Federal Medicaid Receipts	<u>(214,723)</u>
Total Federal Assistance	<u>\$ 7,843,916</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, 2016

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>
84.010	ESEA Title I

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 page 71.

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 72.

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, 2016, 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, 2016, 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 that 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 5, 2016

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

*EXTRACLASROOM ACTIVITY FUND
STATEMENT OF ASSETS AND FUND BALANCE
RESULTING FROM CASH TRANSACTIONS
JUNE 30, 2016*

Cash	<u>\$ 78,456</u>
Fund Balance	<u>\$ 78,456</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK*EXTRACLASSROOM ACTIVITY FUND**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**FOR THE YEAR ENDED JUNE 30, 2016*

Extraclassroom Accounts	Balance June 30, 2015	Receipts 2015-2016	Disbursements 2015-2016	Balance June 30, 2016
Art Club	\$ 336	\$ 600	\$ 424	\$ 512
Drama	9,850	19,835	17,778	11,907
Music	241	7,315	1,596	5,960
Key Club	37	1,394	1,050	381
Environmental Action	1,746	928	763	1,911
French	36	3,507	2,878	665
Italian	1,367	4,778	5,098	1,047
Spanish	25	1,604	1,592	37
Challenger (THS paper)	102	197	205	94
Dardanian (THS Yearbook)	6,730	7,411	6,654	7,487
DMS Yearbook	85	4,578	3,428	1,235
Math Honor Society	411	200	355	256
THS Ski Club	77	3,773	3,791	59
DMS Ski Club	247	4,008	4,090	165
National Honor Society	5,785	5,450	7,036	4,199
Junior National Honor Society	1,337	3,852	(1,255)	6,444
DMS Student Council	169	181	349	1
THS Student Council	10,572	6,569	5,780	11,361
Junior/Senior Class	22,001	40,694	38,646	24,049
NYS Sales Tax	426	1,604	1,469	561
Unallocated Bank Interest	<u>125</u>	<u>-</u>	<u>-</u>	<u>125</u>
Total	<u>\$ 61,705</u>	<u>\$ 118,478</u>	<u>\$ 101,727</u>	<u>\$ 78,456</u>

ENLARGED CITY SCHOOL DISTRICT OF TROY, NEW YORK

EXTRACLASSROOM ACTIVITY FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016 and have issued our report thereon dated October 5, 2016. 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. Payroll Exceptions

During internal control test work over the payroll function, we noted (3) instances where signoffs indicating proper review were absent from payroll journals. We recommend that the District review all internal control steps before filing their payroll reports to ensure that items have been reviewed as required and properly noted.

2. Extraclassroom Accounting Process

Internal control test work over the Extraclassroom activities showed that the District does not have a formal procedure in place for cash receipts. Although a system is in place, we recommend that all processes be formally documented in writing as a good measure of control.

3. Fixed Assets Additions

Fixed asset testing showed that some assets were entered into the incorrect fiscal year causing reconciliation differences in general reports. We recommend that individuals be designated as responsible for entering, deleting and reconciling fixed assets to the subsidiary reports including a secondary supervisory review of the input and reconciliation.

RESOLUTION OF PRIOR YEAR RECOMMENDATIONS

1. Fixed Assets

Based on our test work over the equipment expense account (.2 code extensions) we noted that there were several purchases which met the District's criteria for capitalization but were not added to the fixed asset registry. Although the items are not considered material to the financial statements, we recommend that the internal control system over the capitalization of fixed assets be reviewed to ensure items meeting the threshold for capitalization are entered into the registry.

We recommend an individual outside the fixed asset control process review the .2 expenditures codes for each fund to verify items meeting the threshold are subsequently listed on the registry.

Status: The District's fixed asset accounting continues to need added work to reconcile additions on a yearly basis.

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 5, 2016