

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT

*FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS*

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members of
The Board of Education
Elmira Heights Central School District
Elmira Heights, New York

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of *Elmira Heights Central School District* as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the *Elmira Heights Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Elmira Heights Central School District* as of June 30, 2015, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation 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 these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 and each major fund of the *Elmira Heights Central School District* as of June 30, 2015, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-a-matter

As discussed in Note 4 to the financial statements, the District implemented Government Accounting Standards Board Statement Number 68 "Accounting and Reporting for Pensions" during the current year which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the **Elmira Heights Central School District's** June 30, 2014 financial statements, and our report dated September 25, 2014, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 36 through 37, 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 **Elmira Heights Central School District's** basic financial statements as a whole. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015 on our consideration of **Elmira Heights Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Elmira Heights Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 24, 2015**

I. Discussion and Analysis

The following is a discussion and analysis of the *Elmira Heights Central School District's* financial performance for the year ended June 30, 2015. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Elmira Heights Central School District* during the fiscal year ended June 30, 2015:

- Overall net position of the District increased from operations during the current year in the amount of \$2,066,000 as compared to an increase of \$143,000 during the prior fiscal year.
- The District's total revenue increased 3% from \$20,604,000 during June 30, 2014 to \$21,270,000 during June 30, 2015. This increase was primarily the result of an increase in state aid.
- The District's total expenses decreased 6% from \$20,461,000 during the year ended June 30, 2014 to \$19,204,000 during the year ended June 30, 2015. This decrease was primarily the result of a decrease in retirement system costs primarily related to the implementation of GASB 68, which requires school districts to report expenses based on an actuarial study rather than on current year contributions in the government-wide financials.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of *Elmira Heights Central School District*.

**III. Overview of the Financial Statements
(continued)**

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

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

**III. Overview of the Financial Statements
(continued)**

**B. Reporting the District's Most Significant Funds
(Fund Financial Statements):**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. 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 the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements
(continued)**

**B. Reporting the District's Most Significant Funds
(Fund Financial Statements) (continued):**

1. Governmental Funds (continued)

statements provide a detailed short-term view that helps you 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 at the bottom of the governmental funds statements explains the relationship (or differences) between them.

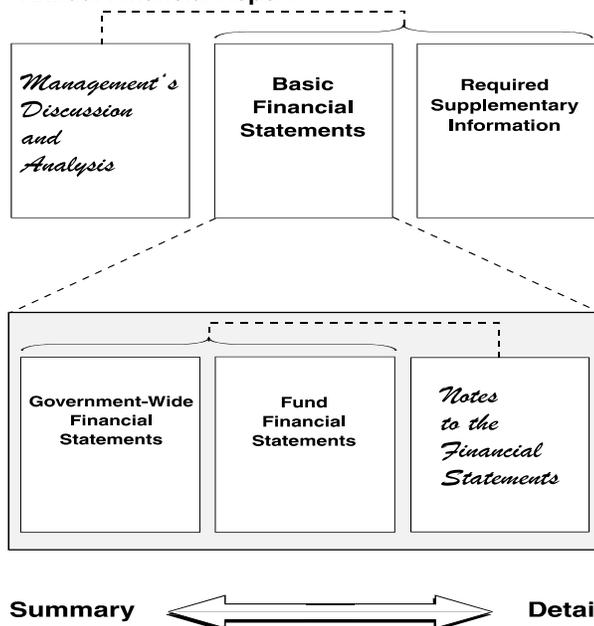
2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

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

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities

Revenue of the District's governmental activities increased approximately 3%, while total expenses decreased 6%. The District's total net assets increased approximately \$2,066,000 from operations during the fiscal year ended June 30, 2015.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$21,270,000 for the fiscal year ended June 30, 2015. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 36% of the District's total revenue for governmental activities. Tax revenue increased 1% in comparison with the prior year and was the result of a tax levy increase.
- The District's most significant revenue is state sources which represent \$11,361,000 or 53% of total governmental revenue. The District's state sources increased by approximately \$545,000 with the most significant increase in tuition from students with disabilities.
- During the year ended June 30, 2015, the District saw an increase in program revenue which mostly resulted from an increase in operating grants and contributions of \$2,000 and an increase in charges for services of \$9,000 as compared with the prior year revenue.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$16,792,000. The components of net assets include: net investment in capital assets, of \$14,655,000; restricted net position of \$4,128,000; and unrestricted net position deficit of \$1,991,000 as of June 30, 2015.

Changes in Net Position

The District's total government-wide revenue increased by approximately 3% to \$21,270,000. Approximately 36%, 5% and 53% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 6% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

The total cost of all programs and services of the District decreased 6% to \$19,204,000. The District's expenses cover a range of services, with 76% related to instruction and 17% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$19,204,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$18,000 or 1% which was primarily due to an increase in BOCES services and contractual expenditures, offset by a decrease in retirement system costs related to the implementation of GASB 68.
- The District's instruction costs decreased by approximately \$1,039,000 or 7% which was primarily due a decrease in retirement system costs related to the implementation of GASB 68.
- Debt service of the District decreased approximately \$83,000 during the year ended June 30, 2015, which was primarily the result of a decrease in interest expense.
- Transportation costs of the District decreased 16% or \$133,000 during the year ended June 30, 2015 as a result of decreases in contractual costs and employee benefits.
- The District's cost of sales (food service fund) totaled \$409,000 during the current year as compared to \$429,000 during the fiscal year ended June 30, 2014. This decrease was the result of a decrease in food costs, salaries and employee benefits.
- The District received approximately \$1,498,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$ 17.7 million) were financed by real property taxes and state aid.

Figure A-3 – Condensed Statement of Net Assets

<i>Elmira Heights Central School District</i>			
Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2015	2014	% Change
Assets			
Current and other assets	\$ 11,673	\$ 6,256	87%
Capital assets	23,532	24,872	-5%
Total assets	35,205	31,128	13%
Deferred Outflows of Resources			
Deferred outflows related to pensions	1,138	-	n/a
Deferred outflows of resources and assets	\$ 36,343	\$ 31,128	17%
Liabilities			
Other liabilities	\$ 1,615	\$ 1,762	-8%
Long-term liabilities	14,878	15,670	-5%
Total liabilities	16,493	17,432	-5%
Deferred Inflows of Resources			
Deferred inflows related to pensions	3,058	-	n/a
Deferred inflows of resources and liabilities	19,551	17,432	12%
Net Position			
Net investment in capital assets	14,655	14,130	4%
Restricted	4,128	3,322	24%
Unrestricted (deficit)	(1,991)	(3,756)	-47%
Total net position	16,792	13,696	23%
Total liabilities, deferred inflows of resources, and net position	\$ 36,343	\$ 31,128	17%

Figure A-4 – Changes in Net Position

<i>Elmira Heights Central School District</i>			
Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2015	2014	% Change
Revenue			
Program revenue			
Charges for services	\$ 363	\$ 354	2%
Operating grants and contributions	1,135	1,133	0%
General revenue			
Real property taxes	7,629	7,526	1%
Use of money & property	145	143	1%
Sale of property & comp for loss	(6)	(3)	71%
State sources	11,361	10,816	5%
Federal sources	73	74	-1%
Miscellaneous	570	561	2%
Total revenue	21,270	20,604	3%
Expenses			
General support	3,223	3,205	1%
Instruction	14,539	15,578	-7%
Transportation	713	846	-16%
Debt service - interest	320	403	-21%
Cost of sales	409	429	-5%
Total expenses	19,204	20,461	-6%
Change in net position	\$ 2,066	\$ 143	

Figure A-5 – Sources of Revenue

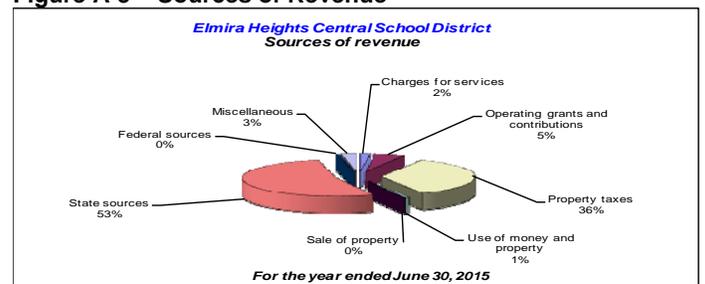


Figure A-6 - Expenses

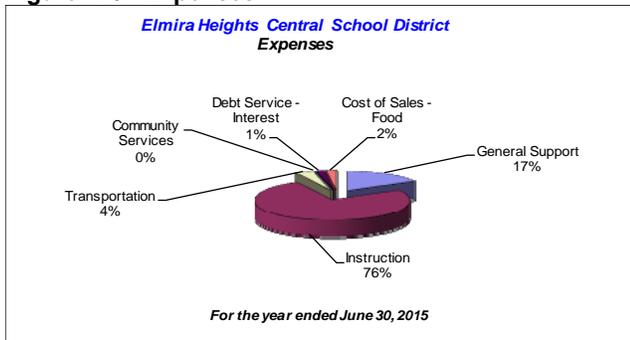


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2015		2014	
Expenditures supported with general revenue (from taxes & other sources)	\$ 17,706	92%	\$ 18,974	93%
Expenditures supported with program revenue	1,498	8%	1,487	7%
Total expenditures related to governmental activities	\$ 19,204	100%	\$ 20,461	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2015	2014	Change	2015	2014	Change
General support	\$ 3,223	\$ 3,205	\$ 18	\$ 3,223	\$ 3,205	\$ 18
Instruction	14,539	15,578	(1,039)	13,501	14,547	(1,046)
Transportation	713	846	(133)	696	830	(134)
Debt service - interest	320	403	(83)	320	403	(83)
Cost of sales - food	409	429	(20)	(34)	(11)	(23)
Total	\$ 19,204	\$ 20,461	\$ (1,257)	\$ 17,706	\$ 18,974	\$ (1,268)

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term

V. Financial Analysis of the School District's Funds

debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund revenues and other uses exceeded its expenditures and other sources by approximately \$901,000.
- The District's general fund unassigned fund balance equaled approximately \$936,000 as of June 30, 2015.
- The District maintained many fund balance reserves during the year ended June 30, 2015, and had a total restricted and non-spendable fund balance approximated \$3,476,000.
- The District's total assets increased approximately \$776,000 as of June 30, 2015 due to increases in cash. The District's liabilities decreased approximately \$124,000, primarily due to a decrease in amounts owed to the debt service fund.
- Total revenue in the District's general fund increased \$625,000, which was primarily related to increases in property taxes and state aid.
- Total expenditures in the District's general fund decreased \$35,000 primarily as a result of an increase in salaries, benefits and BOCES's expenses, offset by a decrease in debt service costs.

Food Service Fund

- The District's food service fund experienced a \$27,000 increase in fund equity in the current year.
- Revenue in the food service fund was \$442,000 during 2015 as compared with \$440,000 in 2014. Expenditures decreased \$42,000 as a result of decreases in salaries, employee benefits, food costs, and inter-fund transfers.

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$3,000 or 0%.

Capital Projects Fund

- The District had expenditures in the amount of \$118,000 in capital projects during the year ended June 30, 2015, which was primarily related to an electrical capital project that was completed during the year.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$985,000 below the revised budget. The most significant positive variances were in the areas of instruction and employee benefits, which were \$452,000 and \$293,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$926,000 above the final budgeted amount. The significant variances in revenue items consisted of favorable variance in local and state sources in the amounts of \$592,000 and \$455,000, respectively, above that budgeted.

Figure A-9 – Budget vs. Actual Comparison

<i>Elmira Heights Central School District</i>			
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>			
	Revised		
	Budget	Actual	Difference
Revenue			
Local sources	\$ 7,989	\$ 8,581	\$ 592
State sources	10,906	11,361	455
Federal sources	50	73	23
Other sources	151	7	(144)
Total revenue	\$ 19,096	\$ 20,022	\$ 926
Expenditures			
General support	\$ 2,868	\$ 2,673	\$ 195
Instruction	10,151	9,699	452
Transportation	445	410	35
Employee benefits	4,269	3,976	293
Debt service	2,196	2,180	16
Operating transfers	178	184	(6)
Total expenditures	\$ 20,107	\$ 19,122	\$ 985

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2015, the District had invested approximately \$23,532,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment.

Capital additions made during the year ended June 30, 2015, totaled \$104,888 and consisted primarily of costs associated with the Jr/Sr High capital outlay. More detailed information about the District's capital assets is presented in the notes of the financial statements.

**VII. Capital Assets and Debt Administration
(continued)**

Long-term Debt

As depicted in Figure A-11, as of June 30, 2015, the District had approximately \$14,878,000 in bonds, net pension liability, compensated absences and other post-employment benefits, a decrease of approximately \$792,000 as compared with the previous year. The decrease in bonds payable was the result of the principal payments made during the year. The increase in the post-employment benefit liability is the result of recording one year's worth of amortization of the District's unfunded actuarial accrued liability in accordance with GASB 45. Lastly, in the current year, the District implemented GASB 68 which resulted in a net pension liability related to the NYS Employees' Retirement System.

Figure A-10 – Capital Assets

<i>Elmira Heights Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2015	2014	Change
Land	\$ 44,028	\$ 44,028	0%
Buildings	35,461,865	35,362,035	0%
Equipment	4,354,567	4,377,955	-1%
Accumulated depreciation	(16,328,679)	(14,911,753)	10%
Total Capital Assets, net	\$ 23,531,781	\$ 24,872,265	-5%

Figure A-11 – Outstanding Long-term Debt

<i>Elmira Heights Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2015	2014	Change
Bonds payable	\$ 8,546,916	\$ 10,180,388	-16%
Net pension liability	181,897	-	n/a
Other post-employment benefits	5,850,360	5,156,562	13%
Compensated absences	298,462	332,940	-10%
Total Long-Term Debt	\$ 14,877,635	\$ 15,669,890	-5%

VIII. 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 monitoring the health of the State's economy closely and waiting to see what the projections are for the funding of public education. The District receives a majority of its funding from state sources, so a reduction in state aid would have serious consequences for the District.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Elmira Heights Central School District
Attention: Mr. Jason Rosno
Business Manager
District Business Office
100 Robinwood Avenue
Elmira Heights, New York 14903

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

Schedule 1

Page 10

	<u>2015</u>	<u>2014</u>
Assets		
Cash		
Unrestricted	\$ 1,934,811	\$ 1,802,213
Restricted	4,127,590	3,322,476
Receivables		
State and federal aid	450,907	420,777
Other receivables	28,107	35,796
Due from other governments	668,428	641,890
Due from fiduciary funds	21,767	4
Inventories	15,592	18,234
Prepaid expenditures	149	5,248
Net pension asset - NYS Teachers' Retirement System	4,416,486	-
Cash to be used for capital assets	9,585	9,409
Capital assets, net	<u>23,531,781</u>	<u>24,872,265</u>
Total assets	<u>35,205,203</u>	<u>31,128,312</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	1,137,941	-
Total assets and deferred outflows of resources	<u>36,343,144</u>	<u>31,128,312</u>
Liabilities		
Current liabilities		
Accounts payable & retainage payable	\$ 48,352	\$ 43,566
Accrued liabilities	42,379	28,806
Accrued interest	21,000	16,000
Due to other governments	254	20,764
Due to retirement systems	1,161,193	1,077,824
Unearned revenue	13,096	5,041
Other liabilities	-	8,004
Bond anticipation notes payable	329,443	561,826
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,635,000	1,600,000
Portion due or payable after one year		
Bonds payable	6,911,916	8,580,388
Net pension liability - NYS Employees' Retirement System	181,897	-
Other post-employment benefits	5,850,360	5,156,562
Compensated absences	298,462	332,940
Total liabilities	<u>16,493,352</u>	<u>17,431,721</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	3,057,810	-
Total liabilities and deferred inflows of resources	<u>19,551,162</u>	<u>17,431,721</u>
Net Position		
Net investment in capital assets	14,655,422	14,130,051
Restricted	4,127,590	3,322,476
Unrestricted (deficit)	<u>(1,991,030)</u>	<u>(3,755,936)</u>
Total net position	<u>16,791,982</u>	<u>13,696,591</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 36,343,144</u>	<u>\$ 31,128,312</u>

See accompanying independent auditor's report and notes to financial statements.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2015 Net (Expense) Revenue and Changes in Net Position	2014 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 2,979,320	\$ 243,627	\$ -	\$ -	\$ (3,222,947)	\$ (3,204,742)
Instruction	13,532,496	1,007,628	238,199	799,916	(13,502,009)	(14,546,713)
Pupil transportation	524,820	188,120	-	16,991	(695,949)	(830,130)
Debt service	319,608	-	-	-	(319,608)	(403,029)
Food service program	408,868	-	124,336	318,042	33,510	10,536
Depreciation	1,439,375	(1,439,375)	-	-	-	-
Total functions and programs	<u>\$ 19,204,487</u>	<u>\$ -</u>	<u>\$ 362,535</u>	<u>\$ 1,134,949</u>	<u>(17,707,003)</u>	<u>(18,974,078)</u>
General Revenues						
Real property taxes					7,628,550	7,526,411
Use of money and property					144,596	143,373
Sale of property and compensation for loss					(5,872)	(3,430)
Miscellaneous					571,322	560,919
State sources					11,360,947	10,816,475
Federal sources					73,415	73,557
Total general revenues					<u>19,772,958</u>	<u>19,117,305</u>
Change in net position					2,065,955	143,227
Net position - beginning of year					13,696,591	15,198,127
Prior period adjustments					<u>1,029,436</u>	<u>(1,644,763)</u>
Net position - end of year					<u>\$ 16,791,982</u>	<u>\$ 13,696,591</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015

Schedule 3

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	Governmental Funds					2015	2014
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 1,747,923	\$ 3,089	\$ 183,805	\$ -	\$ -	\$ 1,934,817	\$ 1,811,622
Restricted cash	3,476,004	-	-	651,580	9,585	4,137,169	3,322,476
Due from other funds	258,353	-	-	6	-	258,359	432,027
State and federal aid receivable	222,416	203,650	24,841	-	-	450,907	420,777
Other receivables	27,469	-	638	-	-	28,107	35,796
Due from other governments	668,428	-	-	-	-	668,428	641,890
Inventories	-	-	15,592	-	-	15,592	18,234
Prepaid items	149	-	-	-	-	149	5,248
Total assets	\$ 6,400,742	\$ 206,739	\$ 224,876	\$ 651,586	\$ 9,585	\$ 7,493,528	\$ 6,688,070
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 28,090	\$ 7,900	\$ 2,953	\$ -	\$ 9,409	\$ 48,352	\$ 34,157
Retainage payable	-	-	-	-	-	-	9,409
Accrued liabilities	40,891	889	599	-	-	42,379	28,806
Bond anticipation notes payable	-	-	-	-	329,443	329,443	561,826
Due to other funds	-	189,174	47,412	-	6	236,592	432,023
Unearned revenue	632	8,744	3,720	-	-	13,096	13,045
Due to other governments	-	32	222	-	-	254	20,764
Due to Teachers' Retirement System	1,109,645	-	-	-	-	1,109,645	1,009,931
Due to Employees' Retirement System	51,548	-	-	-	-	51,548	67,893
Compensated absences	29,761	-	-	-	-	29,761	39,245
Total liabilities	1,260,567	206,739	54,906	-	338,858	1,861,070	2,217,099
Fund Equity							
Nonspendable	149	-	15,592	-	-	15,741	23,482
Restricted	3,476,004	-	-	651,586	-	4,127,590	3,322,476
Assigned	728,310	-	154,378	-	-	882,688	758,580
Unassigned (deficit)	935,712	-	-	-	(329,273)	606,439	366,433
Total fund equity (deficit)	5,140,175	-	169,970	651,586	(329,273)	5,632,458	4,470,971
Total liabilities and fund equity	\$ 6,400,742	\$ 206,739	\$ 224,876	\$ 651,586	\$ 9,585	\$ 7,493,528	\$ 6,688,070

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

Page 13

	Governmental Funds					2015	2014
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 7,628,550	\$ -	\$ -	\$ -	\$ -	\$ 7,628,550	\$ 7,526,411
Charges for services	238,199	-	-	-	-	238,199	222,222
Use of money and property	144,329	-	77	267	-	144,673	143,514
Sale of property compensation for loss	125	-	-	-	-	125	34,777
Miscellaneous	570,123	3,375	2,666	-	-	576,164	564,438
State sources	11,360,947	268,360	10,279	-	-	11,639,586	11,090,890
Federal sources	73,415	545,172	267,925	-	-	886,512	902,116
Surplus food	-	-	39,838	-	-	39,838	29,738
Sales (school food service)	-	-	121,593	-	-	121,593	128,096
Total revenue	20,015,688	816,907	442,378	267	-	21,275,240	20,642,202
Expenditures							
General support	2,673,090	-	151,419	-	-	2,824,509	2,637,817
Instruction	9,699,385	662,564	-	-	-	10,361,949	9,997,322
Pupil transportation	409,638	16,991	-	-	17,830	444,459	526,044
Employee benefits	3,975,578	203,098	42,247	-	-	4,220,923	4,128,134
Debt service							
Principal	1,832,382	-	-	-	-	1,832,382	2,479,187
Interest	348,080	-	-	-	-	348,080	417,280
Capital outlay	-	-	-	-	99,830	99,830	-
Cost of sales	-	-	188,987	-	-	188,987	194,357
Other expenses	-	-	26,215	-	-	26,215	27,784
Total expenditures	18,938,153	882,653	408,868	-	117,660	20,347,334	20,407,925
Excess (deficiency) of revenue over expenditures	1,077,535	(65,746)	33,510	267	(117,660)	927,906	234,277
Other sources and uses							
BANs redeemed from appropriations	-	-	-	-	232,382	232,382	249,187
Premium received on bond issuance	-	-	-	1,199	-	1,199	-
Operating transfers in	6,641	65,746	-	-	117,831	190,218	729,076
Operating transfers out	(183,577)	-	(6,641)	-	-	(190,218)	(729,076)
Total other sources (uses)	(176,936)	65,746	(6,641)	1,199	350,213	233,581	249,187
Excess (deficiency) of revenue and other sources over expenditures and other uses	900,599	-	26,869	1,466	232,553	1,161,487	483,464
Fund equity (deficit), beginning of year	4,239,576	-	143,101	650,120	(561,826)	4,470,971	3,987,507
Fund equity (deficit), end of year	\$ 5,140,175	\$ -	\$ 169,970	\$ 651,586	\$ (329,273)	\$ 5,632,458	\$ 4,470,971

See accompanying independent auditor's report and notes to financial statements.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 06/30/15	(Memo only) Total 06/30/14
Assets				
Cash	\$ 17,598	\$ 94,568	\$ 112,166	\$ 111,368
Investments in securities	4,165	-	4,165	3,995
Other receivables	-	1,920	1,920	247
Total assets	<u>\$ 21,763</u>	<u>\$ 96,488</u>	<u>\$ 118,251</u>	<u>\$ 115,610</u>
Liabilities				
Accrued liabilities	\$ -	\$ 12,358	\$ 12,358	\$ 8,922
Due to other funds	-	21,767	21,767	4
Student extraclassroom activity funds	-	62,363	62,363	82,886
Total liabilities	<u>-</u>	<u>96,488</u>	<u>96,488</u>	<u>91,812</u>
Net Position				
Reserved for scholarships	21,763	-	21,763	23,798
Total liabilities and net position	<u>\$ 21,763</u>	<u>\$ 96,488</u>	<u>\$ 118,251</u>	<u>\$ 115,610</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 6

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	06/30/15	(Memo only)	06/30/14
Additions			
Gifts and contributions	\$ 2,645	\$	2,637
Interest earnings	345		508
Total additions	2,990		3,145
Deductions			
Scholarships awarded	5,025		6,500
Change in net position	(2,035)		(3,355)
Net position - beginning of year	23,798		27,153
Net position - end of year	\$ 21,763	\$	23,798

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

Total fund balances - governmental funds \$ 5,632,458

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 39,860,460	
Accumulated depreciation	<u>(16,328,679)</u>	23,531,781

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds pension costs are based on required contributions.	4,416,486
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(21,000)
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Deferred inflows and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions.	(1,919,869)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(8,546,916)	
Net pension liability	(181,897)	
Other post-employment benefits	(5,850,360)	
Compensated absences	<u>(268,701)</u>	<u>(14,847,874)</u>

Total net position - governmental activities \$ 16,791,982

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 6,071,986	\$ -	\$ -	\$ -	\$ 6,071,986
Due from other funds	258,359	-	-	(236,592)	21,767
State and federal aid receivable	450,907	-	-	-	450,907
Other receivables	28,107	-	-	-	28,107
Due from other governments	668,428	-	-	-	668,428
Inventories	15,592	-	-	-	15,592
Prepaid expenditures	149	-	-	-	149
Net pension asset	-	4,416,486	-	-	4,416,486
Capital assets, net	-	23,531,781	-	-	23,531,781
Total assets	7,493,528	27,948,267	-	(236,592)	35,205,203
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	1,137,941	-	-	1,137,941
Total assets & deferred outflows of resources	\$ 7,493,528	\$ 29,086,208	\$ -	\$ (236,592)	\$ 36,343,144
Liabilities, Deferred Inflows of Resources and Fund equity/Net position					
Liabilities					
Accounts payable	\$ 48,352	\$ -	\$ -	\$ -	\$ 48,352
Accrued liabilities	42,379	-	-	-	42,379
Accrued interest	-	-	21,000	-	21,000
Due to other funds	236,592	-	-	(236,592)	-
Unearned revenue and other liabilities	13,096	-	-	-	13,096
Due to other governments	254	-	-	-	254
Due to retirement systems	1,161,193	-	-	-	1,161,193
Bond anticipation notes payable	329,443	-	-	-	329,443
Bonds payable	-	-	8,546,916	-	8,546,916
Net pension liability	-	181,897	-	-	181,897
Other post-employment benefits	-	-	5,850,360	-	5,850,360
Compensated absences	29,761	-	268,701	-	298,462
Total liabilities	1,861,070	181,897	14,686,977	(236,592)	16,493,352
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	3,057,810	-	-	3,057,810
Total liabilities & deferred inflows of resources	1,861,070	3,239,707	14,686,977	(236,592)	19,551,162
Fund equity and net position					
Total liabilities, deferred inflows of resources and fund equity/position	5,632,458	25,846,501	(14,686,977)	-	16,791,982
	\$ 7,493,528	\$ 29,086,208	\$ -	\$ (236,592)	\$ 36,343,144

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total net change in fund balances - governmental funds \$ 1,161,487

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 104,888	
Depreciation expense	<u>(1,439,375)</u>	(1,334,487)

Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities a gain or loss on sale is reported.	(5,997)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,832,382
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Proceeds from the issuance of long-term debt and BANs redeemed from appropriations are recorded as revenue in governmental funds. However, in the statement of activities, proceeds from long-term debt are not recorded as revenue. Rather, long-term debt is recorded as a liability in the statement of net position.	(232,382)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	28,472
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District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans.	1,285,284
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In the statement of activities, compensated absences, special termination benefits and judgments and claims, are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used:	
Compensated absences	24,994
Other post-employment benefits	<u>(693,798)</u>
	(668,804)

Change in net position of governmental activities	<u><u>\$ 2,065,955</u></u>
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	Total Governmental Funds	Long-term Assets and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 7,628,550	\$ -	\$ -	\$ -	\$ 7,628,550
Charges for services	238,199	-	-	(238,199)	-
Use of money and property	144,673	-	-	(77)	144,596
Sale of property compensation for loss	125	(5,997)	-	-	(5,872)
Miscellaneous	576,164	-	-	(4,842)	571,322
State sources	11,639,586	-	-	(278,639)	11,360,947
Federal sources	886,512	-	-	(813,097)	73,415
Surplus food	39,838	-	-	(39,838)	-
Sales (school food service)	121,593	-	-	(121,593)	-
Total revenue	21,275,240	(5,997)	-	(1,496,285)	19,772,958
Expenditures					
General support	2,824,509	243,627	-	154,811	3,222,947
Instruction	10,361,949	1,002,570	668,804	1,468,686	13,502,009
Pupil transportation	444,459	188,120	-	63,370	695,949
Employee benefits	4,220,923	-	(1,285,284)	(2,935,639)	-
Debt service	2,180,462	-	(1,860,854)	-	319,608
Capital outlay	99,830	(99,830)	-	-	-
Cost of sales	188,987	-	-	(222,497)	(33,510)
Other expenses	26,215	-	-	(26,215)	-
Total expenditures	20,347,334	1,334,487	(2,477,334)	(1,497,484)	17,707,003
Excess (deficiency) of revenue over expenditures	927,906	(1,340,484)	2,477,334	1,199	2,065,955
Other sources and uses					
BANs redeemed from appropriations	232,382	-	(232,382)	-	-
Premiums received on bond issuance	1,199	-	-	(1,199)	-
Operating transfers in	190,218	-	-	(190,218)	-
Operating transfers out	(190,218)	-	-	190,218	-
Total other sources (uses)	233,581	-	(232,382)	(1,199)	-
Net change for year	\$ 1,161,487	\$ (1,340,484)	\$ 2,244,952	-	\$ 2,065,955

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Page 18

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the *Elmira Heights Central School 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 financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the *Elmira Heights Central School District* represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 57-60 of this report.

B. Joint Venture

The *Elmira Heights Central School District* is a component of the Supervisory District of the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 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 its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed \$5,038,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$1,480,000 the year ended June 30, 2015. Financial statements for the Greater Southern Tier BOCES are available at the BOCES administrative offices.

C. Basis of Presentation

1. District-wide Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. 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.

The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

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

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

D. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The 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 the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

F. Inventory

Inventories of food in the School Food Service 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.

G. Investments

Investments are stated at current market value.

H. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

Capitalization thresholds (the dollar value 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 as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,000	Straight-line	50 years
Machinery and equipment	\$ 1,000	Straight-line	5-20 years

I. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and 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 within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

J. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave. The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. The District has recorded an estimated liability in the District-wide financial statement amounting to \$298,462. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable.

The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Unearned revenues recorded in the governmental funds are not recorded in the District-wide statements.

L. Post-Employment Benefits

In addition to the retirement benefits described in Note 3VA, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

M. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first 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. The second item is the District

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Inflows and Outflows of Resources (continued)

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 separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualify for reporting in this category and is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

N. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

A. Nonspendable (continued)

2. Prepaid Reserve

This reserve is used to restrict a portion of fund balance, relating to prepaid expenses paid in the current year, which is not in spendable form. This reserve is accounted for in the General Fund.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

1. Liability Reserve

This reserve is used to reserve funds for unsettled claims or suits. This reserve may be established by a majority vote of the board of education.

2. Reserve for Employment Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

3. Employee Retirement Contribution Reserve

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

4. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. The reserve is accounted for in the Capital Projects Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

5. 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 for payment of expenditures of administering this self-insurance program. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next fiscal year's budget. The reserve is accounted for in the General Fund.

6. Debt Service Reserve

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These reserves are accounted for in the Debt Service Fund.

7. Reserve for Insurance Recoveries

This reserve contains the difference between the insurance recovery received for the destruction of District property and the cost of replacement.

8. Tax Certiorari Reserve

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2015.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Reserve

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund.

The cost of construction contract commitments generally is recorded as an encumbrance of Capital Projects Fund and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund equity since they do not constitute expenditures or liabilities. Reserve for encumbrances totaled \$22,904 as of June 30, 2015.

2. Appropriated Fund Equity

General Fund - The amount of approximately \$705,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2016 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had no supplemental appropriations during the fiscal year ended June 30, 2015.
- e.) During the year ended June 30, 2015, the Board of Education approved transfers from unassigned fund balance to the Employee Retirement Reserve (\$200,000), Workers' Compensation Reserve (\$200,000) and to the Capital Reserve (\$400,000).

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Budgetary Procedures and Budgetary Accounting (continued)

2. Budget Basis for Accounting (continued)

Budgetary controls for the special revenue and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

P. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

Q. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

R. Deferred Compensation Plan

Elmira Heights Central School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) - Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

S. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

NOTE 2 - 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. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (continued)

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

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

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

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2015 per the bank were approximately \$6,365,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Carrying Value</u>
\$ 754,000	\$ 5,611,000	\$ 6,365,000

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash (continued)

A. Deposits (continued)

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2015, the District's bank deposits were fully collateralized.

II. Interfund Transactions

Interfund balances as of June 30, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 258,353	\$ -
School Lunch Fund	-	47,412
Special Aid Fund	-	189,174
Debt Service Fund	6	-
Capital Project Fund	-	6
Fiduciary Funds	-	21,767
Total	\$ 258,359	\$ 258,359

Interfund transfers during the fiscal year ended June 30, 2015 were as follows:

	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ 6,641	\$ 183,577
School Lunch Fund	-	6,641
Special Aid Fund	65,746	-
Debt Service Fund	-	-
Capital Fund	117,831	-
Total	\$ 190,218	\$ 190,218

During the current year ended June 30, 2015, the District transferred \$65,746 from the General Fund to the Special Aid Fund to cover the local portion of the summer school grant, and merger grant. The school lunch fund transferred \$6,641 to the general fund to cover employee benefit costs. Lastly, \$117,831 was transferred from the general fund to the capital fund for the bus garage lease and the current year capital outlay project that was completed during the year.

III. Receivables

Receivables at June 30, 2015 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Aid	State and Federal Aid	\$ 203,650
Food Service	State and Federal Aid	24,841
Food Service	Other Receivables	638
General	State and Federal Aid	222,416
General	Due from Other Governments	668,428
General	Other Receivables	27,469
		<u>\$ 1,147,442</u>

IV. Capital Assets

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Beginning Balance 06/30/14</u>	<u>Net Additions (Disposals)</u>	<u>Ending Balance 06/30/15</u>
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 44,028	\$ -	\$ 44,028
Capital assets that are depreciated:			
Buildings and improvements	35,362,035	99,830	35,461,865
Machinery and equipment	4,377,955	(23,388)	4,354,567
Total depreciable historical cost	39,784,018	\$ 76,442	39,860,460
Less accumulated depreciation:			
Buildings and improvements	12,347,858	\$ 1,096,742	13,444,600
Furniture and equipment	2,563,895	320,184	2,884,079
Total accumulated depreciation	14,911,753	\$ 1,416,926	16,328,679
Total net book value	\$24,872,265		\$23,531,781

Depreciation expense was charged to governmental functions as follows:

General support	\$ 243,627
Instruction	1,007,628
Pupil transportation	188,120
	<u>\$ 1,439,375</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS) (continued)

Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

2. Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

	TRS		ERS	
2015	\$	1,010,151	\$	215,807
2014	\$	1,009,857	\$	267,991
2013	\$	721,537	\$	268,120

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

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

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2015 for ERS and June 30, 2014 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial valuation date	ERS	TRS
	3/31/15	6/30/14
Net pension asset/(liability)	\$ (181,897)	\$ 4,416,486
District's portion of the Plan's total net pension asset/(liability)	.00538%	.03965%

For the year ended June 30, 2015, the District's recognized pension expense of \$159,601 for ERS and the actuarial value (\$173,892) for TRS. At June 30, 2015 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 5,823	\$ -	\$ -	\$ 64,583
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	31,593	-	-	2,966,151
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	-	-	20,072	7,004
District's contributions subsequent to the measurement date	51,548	1,048,977	-	-
Total	\$ 88,964	\$ 1,048,977	\$ 20,072	\$ 3,037,738

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Year ended:		
2016	\$ 55,884	\$ 299,115
2017	4,336	(749,862)
2018	4,336	(749,862)
2019	4,336	(749,862)
2020	-	(8,324)
Thereafter	-	(29,966)

4. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/15	6/30/14
Actuarial valuation date	4/1/14	6/30/13
Interest rate	7.5%	8%
Salary scale	4.9% average 4/1/05 – 3/31/10	4.01% - 10.91% 7/1/05 – 6/30/10
Decrement tables	System's Experience	System's Experience
Inflation rate	2.7%	3%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS 3/31/15	TRS 6/30/14
Measurement date		
Asset Type:		
Domestic Equity	38%	37%
International Equity	13%	18%
Private Equity	10%	-%
Real Estate	8%	10%
Other investments	9%	7%
Domestic fixed income securities	-%	18%
Global fixed income securities	-%	2%
Bonds and Mortgages	18%	8%
Cash	2%	-%
Inflation-indexed bonds	2%	-%
Total:	<u>100%</u>	<u>100%</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

5. Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% for ERS and 8% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1- percentage point lower (6.5% for ERS and 7% for TRS) or 1-percentage point higher (8.5% for ERS and 9% for TRS) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (1,212,425)	\$ (181,897)	\$ 688,124

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

6. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (continued)

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ 95,270	\$ 4,416,486	\$ 8,098,763

7. Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

Valuation date	(Dollars in Thousands)	
	ERS	TRS
Employers' total pension liability	\$ 164,591,504	\$ 97,015,707
Plan net position	\$ 161,213,259	\$ 108,155,083
Employers' net pension asset/(liability)	\$ (3,378,245)	\$ 11,139,376
Ratio of plan net position to be Employers' total pension asset/(liability)	97.9%	111.48%

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$51,548.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015 are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$1,109,645 (employer contribution \$1,048,977 and employee contributions of \$60,668).

9. Restatement of the 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 outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follow

Net position beginning of year, as previously stated	\$ 13,696,591
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	253,162
Beginning System liability - Employees' Retirement System	(243,313)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	
Teachers' Retirement System	951,694
Employees' Retirement System	67,893
Total prior period adjustments	1,029,436
Net position beginning of year, as restated	\$ 14,726,027

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits

1. Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan) administered by a third party. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

2. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

3. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities not to exceed thirty years.

The following table summarizes the District's annual OPEB cost for 2015, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 770,429
Amortization of unfunded actuarial accrued liability	759,918
Interest adjustment	257,828
Annual required contribution adjustment	(193,137)
	1,595,038
Contributions made	(901,240)
Increase in net OPEB obligation	693,798
Net OPEB obligation - beginning of year	5,156,562
	\$ 5,850,360
Net OPEB obligation - end of year	\$ 5,850,360

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 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$1,595,038	56.5%	\$ 5,850,360
6/30/14	1,642,788	48.7%	5,156,562
6/30/13	1,571,691	74.5%	4,313,279

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

4. Funding Status and Funding Progress

As of June 30, 2015, the actuarial accrued liability for benefits was \$20,289,043, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$6,821,380 and the ratio of unfunded actuarial liability to the covered payroll was 297.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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 ARC of the District are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

5. Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The actuarial methods and assumptions used included 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. Valuation assumptions are as follows:

Measurement Date – July 1, 2014.

Discount rate – Five percent (5%) per year compounded annually.

Mortality – The mortality rates were developed by the Office of the Actuary of the New York State Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS).

Withdrawal from service – Withdrawal rates used in the valuation were developed by the Office of the Actuary of the New York Teachers Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS).

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

5. Actuarial Methods and Assumptions (continued)

Medicare – Medicare is expected to continue to cover the same portion of costs

Marital status – The valuation assumes that 70% of male retirees and 55% of female retirees elect spousal coverage upon retirement.

Healthcare cost trend factors – The Getzen Model was used to determine increases in healthcare trend rates. Medical care costs are assumed to increase between 3.3% and 6.1% per year.

Retirement rates – Retirement rates used in the valuation were developed by the Office of the Actuary of the New York Teachers Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS), for the valuation of their respective pension liabilities.

Net annual experience-rated claims cost – Since the District's plans are community rated, the premium rates in effect at June 1, 2013 were used as the initial per capita claim costs.

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the financial statements when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. Proceeds are utilized to purchase new buses.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

The following is a summary of the District's BANS payables as of June 30, 2015:

Description of issue	Issue date	Final maturity	Interest rate	Outstanding as of 6/30/15
Bus Ban	3/12/15	3/11/16	1.25%	\$ 136,946
Bus Ban	3/12/15	3/11/16	1.25%	132,009
Bus Ban	3/12/15	3/11/16	1.25%	60,488
Total				<u>\$ 329,443</u>

b. Short-Term Debt Interest

The District had short-term interest of \$7,117 for the year ended June 30, 2015, recorded in the general fund.

2. Long-Term Debt

a. Debt Limit

At June 30, 2015, the total indebtedness represents approximately 26% of its debt limit.

b. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the Statement of Net Assets. The provisions to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2015 and 2014 are as follows:

	Balance June 30, 2015	Balance June 30, 2014	Amounts Due Within One Year
10 Serial Bond	\$ 7,595,000	\$ 8,280,000	\$ 700,000
12 Serial Bond	951,916	1,900,388	935,000
OPEB Liability	5,850,360	5,156,562	-
Net pension liability	181,897	-	-
Compensated absences	328,223	332,940	-
	<u>\$14,907,396</u>	<u>\$15,669,890</u>	<u>\$ 1,635,000</u>

During the year, the District made principal payments on its serial bonds in the amount of \$1,600,000, and amortized premium of \$33,472. The net change in compensated absences was an increase of \$4,717 during the fiscal year ended June 30, 2015. During the current year, other post-employment benefits liability increased in the amount of \$693,798. Lastly, in the current year, the District implemented GASB 68 which resulted in a net pension liability related to the NYS Employees' Retirement System.

d. Maturity

1. The following is a summary of serial bonds indebtedness:

Description of Issue	Outstanding at June 30, 2015
<u>Serial Bonds</u>	
Serial Bonds, issued in 2010 with a maturity date of 2026, bonds carry interest at 3.500%. Proceeds used to fund additions and reconstruction projects.	<u>\$ 7,595,000</u>
<u>Refunded Serial Bonds:</u>	
Serial Bonds, issued in 2012 with a maturity date of 2016, bonds carry interest at 2.000-3.000%. Proceeds used to fund additions and reconstruction projects.	\$ 935,000
Plus: unamortized bond premiums on bond issuance.	16,916
	<u>\$ 951,916</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity (continued)

Year	Serial Bonds – 2010	
	Principal	Interest
2016	\$ 700,000	\$ 264,913
2017	725,000	243,913
2018	750,000	222,163
2019	770,000	198,725
2020	795,000	173,700
2021-2025	3,630,000	420,863
2026	225,000	9,000
Total	<u>\$ 7,595,000</u>	<u>\$ 1,533,277</u>

Year	Serial Bonds – 2012	
	Principal	Interest
2016	\$ 935,000	\$ 28,050
Total	<u>\$ 935,000</u>	<u>\$ 28,050</u>

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$340,963 for the year ended June 30, 2015, recorded in the general fund.

f. Bond premiums

Bond premium of \$1,199 was recorded as other sources in the debt service fund on the combined statement of revenue, expenditures and changes in fund equity – governmental funds. However, on the government wide-financial statements bond premiums are recorded as a liability and amortized over the life of the bonds using the effective interest rate method.

g. Premiums, Debt Issuance Costs and Amortization

Net premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the interest method. These premiums are accordingly included in the outstanding principal balances for the bonds. Debt issuance costs related to the bonds were expensed in accordance with GASB 65.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity

A. Classification

The District's fund equity is comprised of various components.

Fund	Reservation Purposes	Balance June 30, 2015
Nonspendable:		
Food Service	Inventory	\$ 15,592
General	Reserve for prepaid expense	\$ 149
Restricted:		
General	Reserve for employee benefits	\$ 257,698
	Reserve for unemployment insurance	175,375
	Reserve for retirement system credits	1,013,836
	Reserve for repairs	204,681
	Reserve for tax certiorari	17,833
	Reserve for workers' compensation	595,548
	Reserve for capital	1,211,033
		<u>\$ 3,476,004</u>
Debt Service	Reserve for debt service	\$ 651,586
Fiduciary	Reserve for endowment scholarships	\$ 21,763
Assigned:		
General	Appropriated Fund Balance	\$ 705,306
	Encumbrances	23,004
		<u>\$ 728,310</u>
Food Service	Fund Equity	\$ 154,378

B. District-wide Net Assets

Net assets of the District include restricted net assets of \$4,127,590 which represent restricted amounts in the general and debt service funds as presented above.

C. Deficit Fund Balance

Capital Project Fund – The District's capital project fund had an accumulated deficit of \$329,273 as of June 30, 2015. It is not uncommon for school districts to have deficit fund balances in the capital projects funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or redeemed at which time such proceeds are recorded as other financing sources revenue.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The *Elmira Heights Central School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Risk Sharing Pools

For its employee health coverage, *Elmira Heights Central School District* was a participant in the Central Southern Tier Plan (CST), a public entity risk pool operated for the benefit of 7 individual school districts. The School District paid monthly premiums to the Plan for this health coverage.

The District has a self-insured plan for dental coverage. The plan is administered by a third party administrator who pays the claims directly. The District then reimburses the third party administrator for the exact amount of claims paid.

The *Elmira Heights Central School District* has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees.

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

C. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$383,000 as of June 30, 2015 for accumulating non-vesting sick leave.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies (continued)

D. Contingencies

The District, in the normal course of its operations, is involved in various other litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

NOTE 4 – PRIOR PERIOD ADJUSTMENTS

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 outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follow

Net position beginning of year, as previously stated	\$ 13,696,591
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	253,162
Beginning System liability - Employees' Retirement System	(243,313)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	
Teachers' Retirement System	951,694
Employees' Retirement System	67,893
Total prior period adjustments	<u>1,029,436</u>
Net position beginning of year, as restated	<u>\$ 14,726,027</u>

During the fiscal year ended June 30, 2014, the District transferred its fixed assets to a new software program and evaluated its costs basis and accumulated depreciation of assets resulting in a prior period adjustment. The effect of this prior period adjustment was a net decrease to beginning governmental net position in the amount of \$1,644,763.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 24, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 7,440,666	\$ 7,440,666	\$ 7,440,191	\$ (475)
Real property tax items	140,000	140,000	188,359	48,359
Charges for services	107,800	107,800	238,199	130,399
Use of money and property	134,700	134,700	144,329	9,629
Sale of property and compensation for loss	-	-	125	125
Miscellaneous	150,000	165,411	570,123	404,712
State Sources:				
Basic formula	8,795,539	8,795,539	8,662,210	(133,329)
BOCES	1,599,931	1,599,931	1,480,346	(119,585)
Textbooks	65,765	65,765	58,757	(7,008)
All other aid	445,006	445,006	1,159,634	714,628
Federal Sources:				
Medicaid reimbursement	50,000	50,000	73,415	23,415
Total revenue	18,929,407	18,944,818	20,015,688	1,070,870
Other Sources				
Operating transfer in	150,750	150,750	6,641	(144,109)
Total revenue and other sources	19,080,157	19,095,568	<u>\$ 20,022,329</u>	<u>\$ 926,761</u>
Appropriated fund equity	975,830	1,011,272		
Total revenue, other sources and appropriated fund equity	<u>\$ 20,055,987</u>	<u>\$ 20,106,840</u>		

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 16,333	\$ 17,572	\$ 15,229	\$ -	\$ 2,343
Central administration	227,983	229,468	224,100	-	5,368
Finance	439,911	499,702	492,998	-	6,704
Staff	47,883	47,804	40,134	-	7,670
Central services	1,576,890	1,667,329	1,500,093	7,423	159,813
Special items	405,971	405,971	400,536	-	5,435
Instructional:					
Instruction, administration and improvement	396,474	396,515	383,839	445	12,231
Teaching - regular school	4,962,763	4,969,838	4,914,584	300	54,954
Programs for children with handicapping conditions	3,247,391	3,233,772	2,901,696	-	332,076
Teaching - special schools	114,970	119,739	119,739	-	-
Occupational education	807,604	812,453	812,453	-	-
Instructional media	123,110	130,120	107,931	9,345	12,844
Pupil services	450,312	488,519	459,143	3,150	26,226
Pupil Transportation	452,648	444,546	409,638	2,341	32,567
Employee Benefits	4,295,781	4,268,989	3,975,578	-	293,411
Debt Service:					
Debt service principal	1,929,000	1,838,294	1,832,382	-	5,912
Debt service interest	357,963	357,963	348,080	-	9,883
Total expenditures	19,852,987	19,928,594	18,938,153	23,004	967,437
Other Uses:					
Transfer to other funds	203,000	178,246	183,577	-	(5,331)
Total other uses	203,000	178,246	183,577	-	(5,331)
Total expenditures and other uses	\$ 20,055,987	\$ 20,106,840	19,121,730	\$ 23,004	\$ 962,106
Excess of revenue and other sources over expenditures and other uses			\$ 900,599		

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 22,636	\$ 10,279	\$ (12,357)
Federal sources	255,104	267,925	12,821
Sales	133,570	121,593	(11,977)
Miscellaneous	42,661	2,666	(39,995)
Surplus food	31,500	39,838	8,338
Use of money and property	86	77	(9)
Total revenue	<u>485,557</u>	<u>442,378</u>	<u>(43,179)</u>
Expenditures			
General support	164,133	151,419	12,714
Employee benefits	50,386	42,247	8,139
Cost of sales	201,540	188,987	12,553
Other expenses	70,060	26,215	43,845
Total expenditures	<u>486,119</u>	<u>408,868</u>	<u>77,251</u>
Excess of revenue over expenditures	(562)	33,510	34,072
Other sources (uses)			
Transfer to general fund	(22,426)	(6,641)	15,785
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ (22,988)</u>	26,869	<u>\$ 49,857</u>
Fund equity, beginning of year		<u>143,101</u>	
Fund equity, end of year		<u>\$ 169,970</u>	

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2015

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 20,055,987
Additions:	
Prior year encumbrances	<u>33,993</u>
Original Budget	20,089,980
Budget Revisions:	
Additional use of fund balance	<u>16,860</u>
Final budget	<u><u>\$ 20,106,840</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget	\$ 20,613,622
Maximum allowed (4% of 2015-16 budget)	824,545

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	728,310
Unassigned fund balance	<u>935,712</u>
Total unrestricted fund balance	<u>1,664,022</u>
Less:	
Appropriated fund balance	705,306
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>23,004</u>
Total adjustments	<u>728,310</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 935,712</u></u>
Actual percentage	<u><u>4.5%</u></u>

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

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECTS EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015

Schedule SS3

Page 39

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing					Fund Balance June 30, 2015
			Prior Years	Current Year	Transfer to Debt Service	Total		Proceeds of Obligations	Local Sources	State Sources	Interfund Transfer	Total	
Bus Garage Lease	\$ 17,831	\$ 17,831	\$ -	\$ 17,831	\$ -	\$ 17,831	\$ -	\$ -	\$ -	\$ 17,831	\$ 17,831	\$ -	
Edinson Jr/Sr High Capital Outlay	100,000	100,000	-	99,830	-	99,830	170	-	-	-	100,000	100,000	170
	<u>\$ 117,831</u>	<u>\$ 117,831</u>	<u>\$ -</u>	<u>\$ 117,661</u>	<u>\$ -</u>	<u>\$ 117,661</u>	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,831</u>	<u>\$ 117,831</u>	<u>170</u>

Less: Bond Anticipation Notes (329,443)

Undesignated fund equity (deficit) as of June 30, 2015 \$ (329,273)

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule SS4A

Page 40

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	2015	N/A	\$ 100,601	\$ 100,601
Triangle Grant	N/A	2015	N/A	3,375	3,375
Merger Grant	N/A	2015	N/A	44,158	44,158
Universal Pre-kindergarten	0409-15-7078	2015	\$ 164,736	123,601	123,601
School lunch programs	N/A	2015	N/A	8,251	8,251
School breakfast programs	N/A	2015	N/A	2,028	2,028
				<u>\$ 282,014</u>	<u>\$ 282,014</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT ***Schedule SS4B***
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the ***Elmira Heights Central School District*** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Non-monetary Federal Program

The accompanying ***Elmira Heights Central School District*** is the recipient of a non-monetary federal award program. During the year ended June 30, 2015, the District reported in the Schedule of Federal Awards \$39,838 of donated commodities at fair market value received and disbursed.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Passed through NYS					
Department of Education:					
Title I *	84.010A	0021-15-2860	\$ 246,607	\$ 235,996	\$ 235,996
Title I *	84.010A	0021-14-2860	3,911	3,911	3,911
Title II, Part A	84.367A	0147-15-2860	46,459	46,459	46,459
IDEA Part B, Section 611 **	84.027A	0032-15-0858	253,511	253,341	253,341
IDEA Part B, Section 619 **	84.173A	0033-15-0858	5,507	5,465	5,465
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Breakfast Program ***	10.553	N/A	N/A	37,329	37,329
National School Lunch Program ***	10.555	N/A	N/A	230,596	230,596
Passed through NYS					
Office of General Services:					
National School Lunch Program					
Noncash assistance (Donated Commodities) ***	10.555	N/A	N/A	39,838	39,838
Total expenditures and revenue				\$ 852,935	\$ 852,935

- * Constitutes a cluster of Federal programs
- ** Constitutes a cluster of Federal programs
- *** Constitutes a cluster of Federal programs

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF MAJOR FEDERAL PROGRAMS TESTED
FOR THE YEAR ENDED JUNE 30, 2015

Schedule SS4D

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Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 852,935</u>
Major Programs Tested:		
U.S. Department of Education - Title I	84.010A	\$ 239,907
National School Breakfast Program ***	10.553	37,329
National School Lunch Program		
Cash Assistance***	10.555	230,596
Non-Cash Assistance (commodities)***	10.555	<u>39,838</u>
Total major programs tested		<u>\$ 547,670</u>
% of Federal programs tested		<u>64%</u>

*** Constitutes a cluster of Federal programs

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES
COMPARED TO ST-3 DATA – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Schedule SS5

Page 43

	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 7,628,550	\$ 7,628,550
Non-property taxes	AT-1199	-	-
State aid	AT-3999	11,360,947	11,360,947
Federal aid	AT-4999	73,415	73,415
Total revenue	AT-5999	20,022,329	20,022,329
Expenditures			
General support	AT-1999	2,673,090	2,673,090
Pupil transportation	AT-5599	409,638	409,638
Debt service - principal	AT-9798.6	1,832,382	1,832,382
Debt service - interest	AT-9798.7	348,080	348,080
Total expenditures	AT-9999	\$ 19,121,730	\$ 19,121,730

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2015

Schedule SS6

Page 44

Capital Assets	\$ 23,531,781
Less:	
Serial bonds - capital and transportation related	(8,546,916)
Capital leases	
Bond anticipation notes	<u>(329,443)</u>
Net investment in capital assets	<u>\$ 14,655,422</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEARS ENDED JUNE 30, 2015, 2014, 2013, 2012 AND 2011

Schedule SS7

Page 45

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
June 30, 2015	\$ -	\$ 20,289,043	\$ 20,289,043	0%	\$ 6,821,380	297.4%
June 30, 2014	\$ -	\$ 20,304,951	\$ 20,304,951	0%	\$ 6,798,912	298.7%
June 30, 2013	\$ -	\$ 19,693,900	\$ 19,693,900	0%	\$ 6,728,431	292.7%
June 30, 2012	\$ -	\$ 23,715,947	\$ 23,715,947	0%	\$ 6,692,766	354.4%
June 30, 2011	\$ -	\$ 22,766,699	\$ 22,766,699	0%	\$ 6,688,270	340.4%

**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 President and
Members of the Board of Education
Elmira Heights Central School District
Elmira Heights, New York**

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *Elmira Heights Central School District* as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise *Elmira Heights Central School District's* basic financial statements and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that deficiencies, significant deficiencies and material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Elmira Heights Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2015-002.

Elmira Heights Central School District's Response to Finding

Elmira Heights Central School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. *Elmira Heights Central School District's* response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Matters

We noted other matters that we have reported to management of *Elmira Heights Central School District* in a separate letter dated September 24, 2015.

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 result of that testing, and not provided an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 24, 2015**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**To the President and
Members of the Board of Education
Elmira Heights Central School District
Elmira Heights, New York**

Report on Compliance for Each Major Federal Program

We have audited *Elmira Heights Central School District's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *Elmira Heights Central School District's* major federal programs for the year ended June 30, 2015. *Elmira Heights Central School District's* major federal programs are identified in the Summary of Audit 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 *Elmira Heights Central School 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 *Elmira Heights Central School 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 legal determination on *Elmira Heights Central School District's* compliance.

Opinion on Each Major Federal Program

In our opinion, *Elmira Heights Central School District* complied, in all material respects, with the 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, 2015.

Report on Internal Control Over Compliance

Management of *Elmira Heights Central School 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 *Elmira Heights Central School District's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Report on Internal Control Over Compliance (continued)

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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted other matters that we have reported to management of [Elmira Heights Central School District](#) in a separate letter dated September 24, 2015.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 24, 2015**

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Elmira Heights Central School District*.
2. One deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This condition is reported as a significant deficiency and is described in the accompanying schedule of findings and questioned costs as item II.A.2015-001.
3. There was one instance of noncompliance material to the financial statements of *Elmira Heights Central School District* reported in the 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". This instance of noncompliance is reported in the schedule of findings and questioned costs as item II.B.2015-002.
4. There were no deficiencies relating to the audit of the major federal assistance programs of the *Elmira Heights Central School District* as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal assistance programs for the *Elmira Heights Central School District* expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
Title I	84.010A	Type B	\$ 239,907
National School Lunch ***	10.555	Type A	230,596
National School Breakfast ***	10.553	Type A	37,329
National School Lunch - Donated Commodities ***	10.555	Type A	39,838
Total tested			\$ 547,670
Percentage of total programs tested			64%

*** Constitutes a cluster of Federal programs

8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. *Elmira Heights Central School District* does not qualify as a low-risk auditee.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Page 51

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2015-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2015

Condition and criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District.

Effect: AU-C entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming with Generally Accepted Accounting Principles (GAAP).

Auditor's Recommendations: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

School District's Response: The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements.

Year ended June 30, 2014

There was a similar internal control finding reported upon during the fiscal year ended June 30, 2014.

B. COMPLIANCE AND OTHER MATTERS

2015-002 Unassigned Fund Balance

Year ended June 30, 2015

Conditions and criteria: **Elmira Heights Central School District's** unassigned fund balance as of June 30, 2015 amounted to \$935,712. This amount constitutes approximately 4.5% of the 2015-2016 school budget.

Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance was greater than 4% of the subsequent year's budget.

Auditors' Recommendation: **Elmira Heights Central School District** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

School District's Response: **Elmira Heights Central School District** realizes that its unassigned fund balance as of June 30, 2015 was in excess of the NYS mandated 4% level. The District has and will continue to review its options with regard to reservation and designation of fund balance.

Year ended June 30, 2014

There was a similar compliance finding reported upon during the fiscal year ended June 30, 2014.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2015

There are no findings related to compliance being reported upon during the fiscal year ended June 30, 2015.

Year ended June 30, 2014

**U.S. Department of Agriculture – Free and Reduced Lunch and Breakfast Programs
(CFDA #10.555 and CFDA #10.553)**

2014-003 Eligibility

Condition and Criteria: As part of our audit, we reviewed the District's process and completion of the "Verification of Free and Reduced Price Applications" as required by Federal Guidelines. Based on the standard sample size calculation, the District was required to select four applications as part of the verification process and did so accordingly. We reviewed documentation that the District received for each of these applications selected. In one instance we noted where the incorrect wage information (net pay was used instead of gross wages) was utilized to calculate the income eligibility of the family. Because the District used net pay to calculate eligibility, the students of the family received reduced meals, however if the gross pay was properly utilized, the students of the family would not have been eligible to receive free meals. During our testing we also noticed that the section on the application, which confirms information provided by families was reviewed by District officials, was not completed in many instances.

Effect: Because this family maintained a reduced status rather than paid, the District received more federal reimbursement dollars than it was eligible for. Total questioned costs are estimated to be less than \$500 or .2% of the total program expenditures. Also, because the District did not receive "current" pay information from the family as required by the Federal Guidelines, the District could not make an accurate determination on eligibility. Neither matter identified is considered material to the program. Also, not reviewing Free and Reduced Meal applications could create situations where the determination of family eligibility is not properly identified and categorized.

Cause: Monitoring over the application process was not documented.

Auditors' Recommendation: The District should designate an individual independent of the verification process to review the documentation received for accuracy, completeness and timeliness. This review process should be documented.

School District's Response: The District understands the importance of reviewing all applications and will ensure documentation exists in the future to evidence this review.

Current Status: No issues were noted during our audit of this federal award program during the fiscal year ended June 30, 2015.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2015

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2015.

Year ended June 30, 2014

No findings related to internal control over compliance were reported during the fiscal year ended June 30, 2014.

**To the President and Members of the
Board of Education
and School Administration
Elmira Heights Central School District
Elmira Heights, New York**

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2015 of the District's financial statements and have issued our reports thereon dated September 24, 2015. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by Government Auditing Standards.

In planning and performing our audit of the financial statements of the *Elmira Heights Central School District* for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2011 through June 30, 2015. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Elmira Heights Central School District's* has provided responses to additional comments that follow, however, we did not audit such responses and, accordingly, we express no opinion on them.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 24, 2015**

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

	06/30/15	06/30/14	06/30/13	06/30/12	06/30/11
Revenue and other sources					
Property taxes	\$ 7,629	\$ 7,526	\$ 7,103	\$ 6,899	\$ 6,603
State aid	11,361	10,816	11,184	9,779	10,010
All other	1,032	1,063	781	769	1,651
Proceeds from issuance of debt	-	-	-	-	-
	<u>20,022</u>	<u>19,405</u>	<u>19,068</u>	<u>17,447</u>	<u>18,264</u>
Expenditures and other uses					
General support	2,673	2,480	2,465	2,486	2,559
Instruction	9,698	9,332	9,095	8,952	8,578
Transportation	410	493	444	440	428
Benefits	3,976	3,881	4,124	3,734	3,886
Debt	2,180	2,896	2,869	2,818	2,797
Transfers	184	73	71	64	82
	<u>19,121</u>	<u>19,155</u>	<u>19,068</u>	<u>18,494</u>	<u>18,330</u>
Excess (deficiency) of revenue over expenditures	901	250	0	(1,047)	(66)
Fund equity					
Beginning of year	4,239	3,989	3,989	5,036	5,102
End of year	<u>\$ 5,140</u>	<u>\$ 4,239</u>	<u>\$ 3,989</u>	<u>\$ 3,989</u>	<u>\$ 5,036</u>
Analysis of fund equity					
Nonspendable	\$ 0	\$ 5	\$ -	\$ 220	\$ 39
Restricted					
Reserve for repairs	205	204	204	204	203
Reserve for retirement system credits	1,014	813	736	1,040	-
Reserve for tax certiorari	18	18	202	273	280
Reserve for employee benefits	258	257	257	241	1,283
Reserve for unemployment insurance	175	175	200	225	224
Reserve for workers' compensation	596	395	172	256	256
Reserve for capital	1,211	810	807	807	805
Assigned					
Reserve for encumbrances	23	34	43	-	-
Next year's budget	705	600	600	600	1,147
Unassigned	934	928	768	123	799
	<u>\$ 5,140</u>	<u>\$ 4,239</u>	<u>\$ 3,989</u>	<u>\$ 3,989</u>	<u>\$ 5,036</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Page 55

Equipment and Inventory

The District reports approximately \$24 million of capital assets. The most significant dollar amount of these assets consist of the District buildings and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the District to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the District may consider include the following:

- Continued updating of the District's fixed asset and inventory additions and disposals within its asset database;
- Obtaining a full independent appraisal every five years, that would compare the assets listed within the database compared with those physically counted;
- Maintaining a perpetual inventory system for higher risk equipment and inventory items;
- Periodically perform random spot checks of equipment and inventory and compare to asset database;
- Performing annual physical inventory counts and investigating any differences between the appraisal/inventory reports and physical count;
- Obtaining mileage logs and purchases records to determine reasonableness of gasoline usage.

District's response: The District realizes the importance of internal controls to help reduce the risks associated with loss or misuse of assets. We continue to update and inventory items as they are purchased and disposed of. All items received are logged and assets are tagged. The District will also continue to utilize CBIZ for full independent appraisals every five years.

Fund Balance Reserves

As of June 30, 2015, the District has certain fund balance reserves. The New York State Comptroller's Office in its audits of school districts has increased its scrutiny of fund balance reserves established by districts. We recommend that the District ensure that as reserves are established and utilized that New York State required procedures are closely followed. Further, for existing and future reserves we recommend that the District document its rationale to support the purpose and dollar level of the reserves along with a chronological history of the board and voter actions taken to create, fund, and utilize reserves. In addition, we recommend that the District consider forming a long-term plan with regard to funding and use of each reserve. This worksheet should be carried forward to future years and provide important historical data of all reserves of the District.

District's response: A history of reserves has been kept since 2006. This history documents the Board's authorization and rationale for increase/decreasing reserves.

The Board reviews reserve accounts on an annual basis or more frequently as needed as they realize that especially in difficult times long-range planning is crucial.

Purchase Orders

During the audit, we noticed that documentation was missing to substantiate certain controls in the area of purchasing of goods and services. We noticed various instances where purchases were made during the 2014-15 fiscal year without the documentation of prior authorization or approval from management. Although in most cases purchase orders were prepared, they were sometimes submitted for approval subsequent to the date of the invoice. By not having approval of expenditures prior to the date of purchase, the District could incur expenditures that were not authorized by the Board of Education during the budget process. Also, expenditures may be incurred which do not coincide with management's expectations or philosophy in providing an education to the students of the District. The District should attempt to use purchase orders for all expenditures and during instances in which a purchase order is not possible, a purchase requisition should be utilized. All purchase orders should be examined and approved by a designated member of management prior to the goods or services are ordered. A signature and date should accompany each purchase order, which evidences that such steps were taken.

District response: The District strives to maintain tight controls on the purchasing process and requires all purchases follow the process. We will continue to inform and train our staff that all purchases need to follow and the appropriate approval path. In addition, seeing that a purchase noted was an emergent request, we will work collaboratively with our Central Business Office to evaluate, develop and implement an expedited path process to address purchases or services that are necessary under emergent circumstances.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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Budgeting

The New York State Office of the Comptroller has recently focused their audits in the area of fiscal condition, which often leads to reviewing the school districts' budgeting strategies. When doing so, the Comptroller's office compares amounts that were included in the District's original budget to actual revenue and expenditures experienced during the years under review. Once the analysis is performed, determinations are made as to whether the original budgets were developed based on reasonable assumptions.

We recommend that the District continue to document its budget philosophy and financial plan and update as circumstances change. This information should continue to be presented at budget hearings and Board meetings so that both the Board and taxpayers remain informed.

District response: The District recognizes the increased scrutiny by the Comptroller's office over District's budgeting practices. The Board works extremely hard to ensure that its annual budgets are reasonable and realistic and will continue to do so.

Affordable Care Act (ACA)

With the passage of the Affordable Care Act by the Federal government, increased gathering of data, analysis and reporting will be required by all employers in the future. Information such as tracking employees hours for eligibility purposes and analyzing the affordability of health care will now be required. It is our understanding that the District, has developed systems to document and report such information in compliance with the new regulations.

Because of the regulations related to the Affordable Care Act are new and somewhat complex, we recommend that the District continue to review the latest guidance and continue to participate in educational opportunities when they become available in order to stay current in this area.

District response: The District will continue to participate in educational seminars relative to the Affordable Care Act.

Uniform guidance

The Federal Office of Management and Budget (OMB) has issued new regulations titled the Uniform Guidance which takes effect for recipients of Federal grants for awards received after December 26, 2014. The new regulations attempt to combine and codify the requirements of eight circulars previously maintained by OMB and to streamline the Federal grant administrative, cost accounting, and audit policies in the Federal register. The new regulations do not affect grants awarded prior to that date, but rather, will affect future reporting of Federal grants for the District. The Uniform Guidance has a focus on improving overall performance and outcome of grants and to reduce administrative burdens for grant applicants and recipients, while reducing the risk of waste, fraud and abuse. Included in the new guidance is subpart D, Post-Federal Award Requirements, which outlines guidelines that pertain once a Federal grant is obtained. Some of the items outlined in this area are: internal controls, procurement standards, sub-recipient monitoring, grant closeout, etc.

We recommend individuals involved with the oversight of Federal grants at the District familiarize themselves with the new Uniform Guidance, which may include continuing education, webinars and further training.

District response: The District will review the new Uniform Guidance to ensure the District is properly following federal regulations.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT

***EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT***

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

***WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

INDEPENDENT AUDITOR'S REPORT

**To the President and
Members of the Board of Education
Elmira Heights Central School District
Elmira Heights, New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the *Elmira Heights Central School District* for the year ended June 30, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting 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 this financial statement 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 the *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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 cash transactions of the Extraclassroom Activity Fund of the *Elmira Heights Central School District* for the year ended June 30, 2015 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 24, 2015**

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND
JULY 1, 2014 THROUGH JUNE 30, 2015

	Balances July 01, 2014	Total Receipts 2014-15	Total Receipts & Balances	Total Payments 2014-15	Balances June 30, 2015
Class of 2013	\$ 5,317	\$ -	\$ 5,317	\$ 5,317	\$ -
Class of 2014	7,853	101	7,954	1,399	6,555
Class of 2015	19,546	23,931	43,477	40,950	2,527
Class of 2016	4,167	25,735	29,902	14,611	15,291
Class of 2017	2,902	1,558	4,460	1,039	3,421
Class of 2018	-	6,215	6,215	3,670	2,545
Builders' Club	868	911	1,779	1,013	766
Eighth Grade Class	633	4,336	4,969	4,471	498
Key Club	1,468	1,113	2,581	1,334	1,247
Medieval Festival Club	1,790	2,477	4,267	3,361	906
Middle School Store	2,213	-	2,213	300	1,913
Middle School Council	2,984	3,885	6,869	5,730	1,139
Middle School Yearbook	779	1,080	1,859	1,236	623
Sales Tax	33	2,198	2,231	1,565	666
Seventh Grade Class	191	5,588	5,779	5,495	284
Student Council	2,006	16,369	18,375	15,396	2,979
Student Council Savings	27,273	5,331	32,604	14,130	18,474
TAE Art Club	122	-	122	-	122
TAE Band Club	2,741	-	2,741	1,279	1,462
TAE Yearbook	-	4,125	4,125	4,125	-
TAE Spartan Coffee Corner	-	1,040	1,040	95	945
Total activity fund	\$ 82,886	\$ 105,993	\$ 188,879	\$ 126,516	\$ 62,363

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015***

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of ***Elmira Heights Central School District***. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$62,363 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Fund of ***Elmira Heights Central School District*** are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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During the course of our audit of the extraclassroom activities, we noted the following:

Timely Deposits

During our audit, we noticed certain instances where it appeared that deposits were not being made in a timely manner. We recommend that when cash is received by the extraclassroom activity fund it is deposited in the bank.

District's response: Board policy dictates that all money is to be deposited in a specific number of business days. All advisors will again be reminded they must submit their deposits in the specific time frame dictated by Board policy.