

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT

AUDIT REPORTING PACKAGE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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2018 REPORTING PACKAGE

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ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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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

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, 2018, 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, 2018, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, each major fund, and aggregate remaining fund information of the *Elmira Heights Central School District* as of June 30, 2018, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 5 of the financial statements, the District implemented Governmental Accounting Standards Board Statement Number 75 in the current fiscal 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, 2017 financial statements, and our report dated October 4, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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, budgetary comparison information, schedule of changes in the district's net OPEB liability and related ratios, schedule of the District's contributions for OPEB, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 39 through 34, and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Elmira Heights Central School District's** basic financial statements. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, 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 October 10, 2018 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
October 10, 2018**

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, 2018. 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, 2018:

- Overall net position of the District decreased from operations during the current year in the amount of \$267,000 as compared to an decrease of \$255,000 during the prior fiscal year. The District also implemented GASB 75, Accounting and Revenue Reporting for Post-employment Benefits Other than Pensions, which resulted in a prior period adjustment that decreased net position by approximately \$26 million.
- The District's total revenue increased 7% from \$20,894,000 during the year ended June 30, 2017 to \$22,329,000 during the year ended June 30, 2018. This increase was primarily the result of an increase in real property taxes and state aid related to Smart Bonds Act.
- The District's total expenses increased 7% from \$21,149,000 during the year ended June 30, 2017 to \$22,596,000 during the year ended June 30, 2018 due to an increase in salaries expense and employee benefits expense.
- The District had capital outlays during the current year in the amount of \$6,557,000, which primarily related to the purchase of new transportation vehicles and capital improvements related to capital projects.

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.

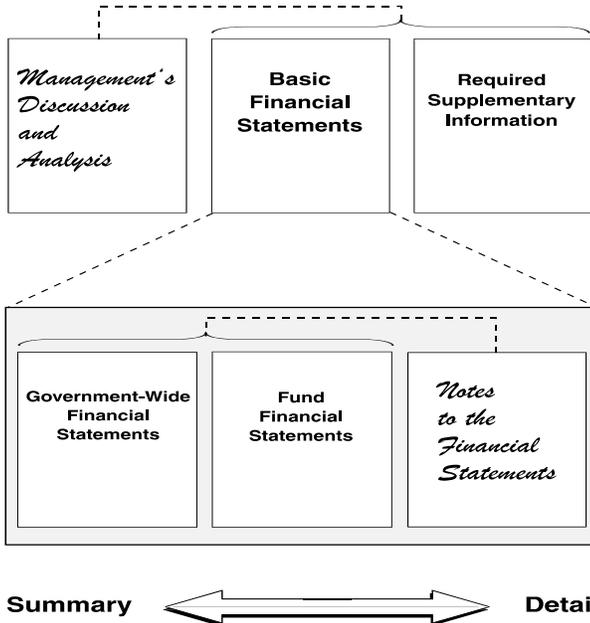
2. Fiduciary Funds

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 7%, while total expenses increased 7%. The District's total net position decreased approximately \$267,000 from operations during the fiscal year ended June 30, 2018.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$22,329,000 for the fiscal year ended June 30, 2018. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 35% of the District's total revenue for governmental activities. Tax revenue increased 3% in comparison with the prior year as a result of an increase in the tax levy.
- The District's most significant revenue is state sources which represent \$12,191,000 or 54% of total governmental revenue. The District's state sources increased by approximately \$1,217,000 which mostly related to an increase in state aid related to the Smart Bonds Act.
- During the year ended June 30, 2018, the District saw an increase in program revenue which mostly resulted from an increase in operating grants and contributions of \$45,000 and an increase in charges for services of \$8,000 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 deficit was approximately \$-9,124,000. The components of net assets include: net investment in capital assets, of \$16,429,000; restricted net position of \$3,820,000; and unrestricted net position deficit of \$-29,373,000 as of June 30, 2018.

Changes in Net Position

The District's total government-wide revenue increased by approximately 7% to \$22,329,000. Approximately 35%, 6% and 54% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 5% 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 increased 7% to \$22,596,000. The District's expenses cover a range of services, with 77% related to instruction and 16% 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 \$22,596,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$179,000 or 6% which was primarily due to an increase in contracted services and employee benefit expense.
- The District's instruction costs increased by approximately \$1,173,000 or 7% which was primarily due to an increase in salaries expense and employee benefits expense.
- Debt service of the District increased approximately \$97,000 during the year ended June 30, 2018 due to an increase in interest expense.
- Transportation costs of the District decreased 2% or \$14,000 during the year ended June 30, 2018 as a result of a decrease in contractual expense. This decrease was partially offset by an increase in salaries expense.
- The District's cost of sales (food service fund) totaled \$512,000 during the current year as compared to \$500,000 during the fiscal year ended June 30, 2017. This increase was the result of an increase in food costs and salaries expense.
- The District received approximately \$1,637,000 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 (\$ 21.0 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		
	2018	2017	% Change
Assets			
Current and other assets	\$ 12,468	\$ 9,086	37%
Capital assets	28,658	23,491	22%
Total assets	41,126	32,577	26%
Deferred Outflows of Resources			
Deferred outflows related to pensions	4,377	4,423	-1%
Deferred outflows related to OPEB	-	-	n/a
Deferred outflows related to bond refunding	341	-	n/a
Deferred outflows of resources and assets	\$ 45,845	\$ 37,000	24%
Liabilities			
Other liabilities	\$ 2,245	\$ 3,858	-42%
Long-term liabilities	49,938	14,389	247%
Total liabilities	52,182	18,247	186%
Deferred Inflows of Resources			
Deferred inflows related to pensions	1,311	241	445%
Deferred inflows related to OPEB	1,475	-	n/a
Deferred inflows of resources and liabilities	54,968	18,488	197%
Net Position			
Net investment in capital assets	16,429	16,173	2%
Restricted	3,820	3,504	9%
Unrestricted (deficit)	(29,373)	(1,165)	2421%
Total net position (deficit)	(9,123)	18,512	-149%
Total liabilities, deferred inflows of resources, and net position (deficit)	\$ 45,845	\$ 37,000	24%

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		
	2018	2017	% Change
Revenue			
Program revenue			
Charges for services	\$ 330	\$ 322	2%
Operating grants and contributions	1,307	1,262	4%
General revenue			
Real property taxes	7,832	7,638	3%
Use of money & property	145	146	0%
Sale of property & comp for loss	(6)	(9)	-41%
State sources	12,191	10,974	11%
Federal sources	131	54	143%
Miscellaneous	399	507	-21%
Total revenue	22,329	20,894	7%
Expenses			
General support	3,517	3,338	6%
Instruction	17,444	16,271	7%
Transportation	754	768	-2%
Debt service - interest	369	272	36%
Cost of sales	512	500	2%
Total expenses	22,596	21,149	7%
Change in net position	\$ (267)	\$ (255)	

Figure A-5 – Sources of Revenue

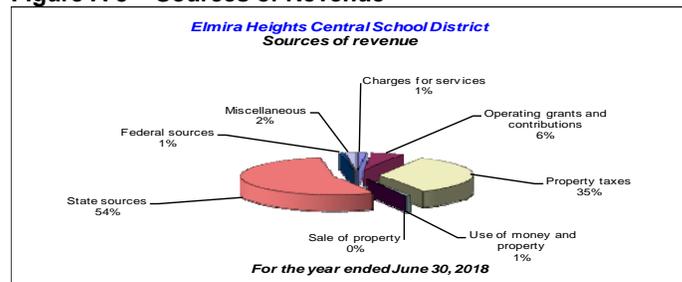


Figure A-6 - Expenses

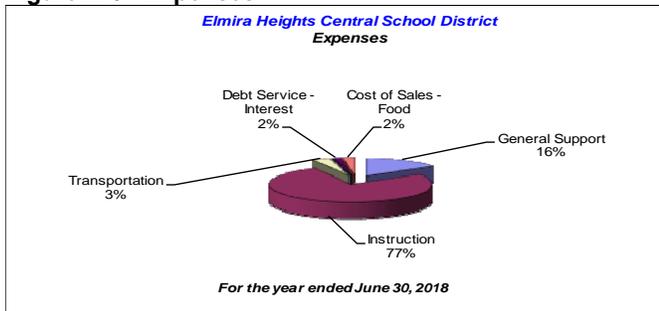


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2018		2017	
Expenditures supported with general revenue (from taxes & other sources)	\$ 20,959	93%	\$ 19,565	93%
Expenditures supported with program revenue	1,637	7%	1,584	7%
Total expenditures related to governmental activities	\$ 22,596	100%	\$ 21,149	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2018	2017	Change	2018	2017	Change
General support	\$ 3,517	\$ 3,338	\$ 179	\$ 3,517	\$ 3,338	\$ 179
Instruction	17,444	16,271	1,173	16,328	15,219	1,109
Transportation	754	768	(14)	734	748	(14)
Debt service - interest	369	272	97	369	272	97
Cost of sales - food	512	500	12	11	(12)	23
Total	\$ 22,596	\$ 21,149	\$ 1,447	\$ 20,959	\$ 19,565	\$ 1,394

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 debt liabilities for the funds' projects and capital assets purchased by the funds.

V. Financial Analysis of the School District's Funds (continued)

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 expenditures and other uses exceeded its revenues and other sources by approximately \$46,000.
- The District's general fund unassigned fund balance equaled approximately \$1,373,000 as of June 30, 2018.
- The District maintained many fund balance reserves during the year ended June 30, 2018, and had a total restricted and non-spendable fund balance approximated \$3,180,000.
- The District's total assets decreased approximately \$218,000 as of June 30, 2018 due to decreases in cash and prepaid items. The District's liabilities decreased approximately \$172,000, primarily related to a decrease in accounts payable and TRS liability.
- Total revenue in the District's general fund increased \$547,000, which was primarily related to an increase in real property taxes and state aid.
- Total expenditures in the District's general fund increased \$981,000 primarily as a result of an increase in salaries expense and health insurance expense.

Food Service Fund

- The District's food service fund experienced a \$11,000 decrease in fund equity in the current year.
- Revenue in the food service fund was \$501,000 during 2018 as compared with \$511,000 in 2017. Revenue decrease related to a decrease in food sales, while expenditures increased \$6,000 as a result of increases in salaries expense and contractual expense.

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$23,000 or 2%. This increase was primarily related to increases in funding for the Title I and Section 611 grants, which were partially offset by decreases in the Universal Pre-Kindergarten and Extended School Day grants.

Capital Projects Fund

- The District had expenditures in the amount of \$6,503,000 in capital projects during the year ended June 30, 2018, which was primarily related to the \$12.4 million project, which began during the year ended June 30, 2016, and a capital outlay project.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,340,000 below the revised budget. The most significant positive variances were in the areas of instruction and employee benefits, which were \$434,000 and \$324,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$383,000 below the final budgeted amount. The significant variances in revenue items consisted of a negative variances in state sources and other sources of \$374,000 and \$230,000. This was offset by a favorable variance in local sources in the amount of \$140,000, 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	\$ 8,461	\$ 8,601	\$ 140
State sources	11,661	11,287	(374)
Federal sources	50	131	81
Other sources	235	5	(230)
Total revenue	\$ 20,407	\$ 20,024	\$ (383)
Expenditures			
General support	\$ 2,985	\$ 2,735	\$ 251
Instruction	11,212	10,778	434
Transportation	500	408	94
Employee benefits	5,084	4,760	324
Debt service	1,473	1,267	206
Operating transfers	152	121	31
Total expenditures	\$ 21,406	\$ 20,069	\$ 1,340

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

Long-term Debt

As depicted in Figure A-11, as of June 30, 2018, the District had approximately \$49,934,000 in bonds, net pension liability, compensated absences and other post-employment benefits, an increase of approximately \$35,544,000 as compared with the previous year. The increase in bonds payable was the result of a new bond issued in the current year. The increase in the other post-employment benefit liability is the result of the District implementing GASB 75 in the current year. The District's NYS Employees' Retirement System net pension liability decreased during the year, whereas the NYS Teachers' Retirement System was a net pension liability in the prior year, as compared to a net pension asset in the current year.

Figure A-10 – Capital Assets

<i>Elmira Heights Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2018	2017	Change
Land	\$ 44,028	\$ 44,028	0%
Buildings	37,817,198	36,070,396	5%
Construction in progress	6,697,321	2,181,756	207%
Equipment	4,165,510	4,091,475	2%
Accumulated depreciation	(20,066,206)	(18,897,140)	6%
Total Capital Assets, net	\$ 28,657,851	\$ 23,490,515	22%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2018, the District had invested approximately \$28,658,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment.

Capital additions made during the year ended June 30, 2018, totaled \$6,556,698 and consisted primarily of costs associated with the capital project outlay, the 2016 capital project and transportation vehicle purchases. More detailed information about the District's capital assets is presented in the notes of the financial statements.

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		
	2018	2017	Change
Bonds payable	\$ 15,848,601	\$ 6,170,000	157%
Net pension liability	141,340	859,889	-84%
Other post-employment benefits	33,587,733	7,053,136	376%
Compensated absences	355,828	306,049	16%
Total Long-Term Debt	\$ 49,933,502	\$ 14,389,074	247%

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: Ms. Mary Beth Fiore
Superintendent
District Administrative Office
100 Robinwood Avenue
Elmira Heights, New York 14903

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2018

Schedule 1

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	<u>2018</u>	<u>2017</u>
Assets		
Cash		
Unrestricted	\$ 1,907,591	\$ 2,310,693
Restricted	3,820,254	3,503,620
Receivables		
State and federal aid	1,169,435	357,614
Other receivables	26,249	77,113
Due from other governments	797,236	763,400
Due from fiduciary funds	-	82,290
Inventories	38,406	24,994
Prepaid expenditures	58,735	319,387
Net pension asset - NYS Teachers' Retirement System	299,776	-
Cash to be used for capital assets	4,350,962	1,647,796
Capital assets, net	28,657,851	23,490,515
Total assets	<u>41,126,495</u>	<u>32,577,422</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	4,376,743	4,422,992
Deferred outflows related to bond refunding	340,595	-
Total assets and deferred outflows of resources	<u>\$ 45,843,833</u>	<u>\$ 37,000,414</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,026,463	\$ 144,723
Accrued liabilities	25,270	50,705
Accrued interest	45,000	11,000
Due to other governments	192	2,727
Due to fiduciary funds	840	-
Due to retirement systems	747,870	854,844
Unearned revenue	14,142	12,600
Bond anticipation notes payable	388,000	2,782,000
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,140,000	750,000
Portion due or payable after one year		
Bonds payable	14,708,601	5,420,000
Retirees' health insurance payable		
Net pension liability - NYS Teachers' Retirement System	-	421,861
Net pension liability - NYS Employees' Retirement System	141,340	438,028
Other post-employment benefits	33,587,733	7,053,136
Compensated absences	355,828	306,049
Total liabilities	<u>52,181,279</u>	<u>18,247,673</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,310,836	240,615
Deferred inflows related to OPEB	1,474,666	-
Total liabilities and deferred inflows of resources	<u>54,966,781</u>	<u>18,488,288</u>
Net Position (Deficit)		
Net investment in capital assets	16,429,467	16,172,786
Restricted	3,820,254	3,503,620
Unrestricted (deficit)	(29,372,669)	(1,164,280)
Total net position (deficit)	<u>(9,122,948)</u>	<u>18,512,126</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 45,843,833</u>	<u>\$ 37,000,414</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 2

Page 11

		Indirect	Program Revenues		2018	2017
	Expenses	Expenses	Charges for	Operating	Net (Expense)	Net (Expense)
		Allocation	Services	Grants	Revenue and	Revenue and
					Changes in	Changes in
					Net Position	Net Position
Functions/Programs						
General support	\$ 3,289,561	\$ 227,847	\$ -	\$ -	\$ (3,517,408)	\$ (3,337,511)
Instruction	16,484,667	959,108	173,870	942,095	(16,327,810)	(15,219,158)
Pupil transportation	612,373	141,370	-	19,586	(734,157)	(748,480)
Debt service	368,680	-	-	-	(368,680)	(271,548)
Food service program	512,237	-	155,762	345,415	(11,060)	11,485
Depreciation	1,328,325	(1,328,325)	-	-	-	-
Total functions and programs	<u>\$ 22,595,843</u>	<u>\$ -</u>	<u>\$ 329,632</u>	<u>\$ 1,307,096</u>	<u>(20,959,115)</u>	<u>(19,565,212)</u>
General Revenues						
Real property taxes					7,832,244	7,638,181
Use of money and property					145,095	146,573
Sale of property and compensation for loss					(6,524)	(9,330)
Miscellaneous					398,978	506,695
State sources					12,191,150	10,973,604
Federal sources					131,323	54,550
Total general revenues					<u>20,692,266</u>	<u>19,310,273</u>
Change in net position					(266,849)	(254,939)
Net position - beginning of year					18,512,126	18,767,065
Prior period adjustment					<u>(27,368,225)</u>	<u>-</u>
Net position (deficit) - end of year					<u>\$ (9,122,948)</u>	<u>\$ 18,512,126</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

Schedule 3

Page 12

	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	Total	Total
Assets							
Unrestricted cash	\$ 1,638,484	\$ 23,683	\$ 192,964	\$ -	\$ -	\$ 1,855,131	\$ 2,310,898
Restricted cash	3,180,452	-	-	692,262	4,350,962	8,223,676	5,151,211
Due from other funds	256,055	-	-	5,607	-	261,662	280,769
State and federal aid receivable	331,339	213,901	-	-	624,195	1,169,435	357,614
Other receivables	15,942	10,193	114	-	-	26,249	77,113
Due from other governments	797,236	-	-	-	-	797,236	763,400
Inventories	-	-	38,406	-	-	38,406	24,994
Prepaid items	58,067	668	-	-	-	58,735	319,387
Total assets	<u>\$ 6,277,575</u>	<u>\$ 248,445</u>	<u>\$ 231,484</u>	<u>\$ 697,869</u>	<u>\$ 4,975,157</u>	<u>\$ 12,430,530</u>	<u>\$ 9,285,386</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 60,449	\$ 3,813	\$ 1,799	\$ -	\$ 960,402	\$ 1,026,463	\$ 144,723
Accrued liabilities	25,264	6	-	-	-	25,270	50,705
Bond anticipation notes payable	-	-	-	-	388,000	388,000	2,782,000
Due to other funds	840	236,606	18,518	-	6,538	262,502	198,479
Unearned revenue	-	8,020	6,122	-	-	14,142	12,600
Due to other governments	-	-	192	-	-	192	2,727
Due to Teachers' Retirement System	692,997	-	-	-	-	692,997	797,187
Due to Employees' Retirement System	47,376	-	7,497	-	-	54,873	57,657
Compensated absences	27,384	-	-	-	-	27,384	25,711
Total liabilities	<u>854,310</u>	<u>248,445</u>	<u>34,128</u>	<u>-</u>	<u>1,354,940</u>	<u>2,491,823</u>	<u>4,071,789</u>
Fund Equity							
Nonspendable	58,067	-	38,406	-	-	96,473	344,381
Restricted	3,122,385	-	-	697,869	-	3,820,254	3,503,620
Assigned	869,334	-	158,950	-	3,620,217	4,648,501	907,677
Unassigned	1,373,479	-	-	-	-	1,373,479	457,919
Total fund equity	<u>5,423,265</u>	<u>-</u>	<u>197,356</u>	<u>697,869</u>	<u>3,620,217</u>	<u>9,938,707</u>	<u>5,213,597</u>
Total liabilities and fund equity	<u>\$ 6,277,575</u>	<u>\$ 248,445</u>	<u>\$ 231,484</u>	<u>\$ 697,869</u>	<u>\$ 4,975,157</u>	<u>\$ 12,430,530</u>	<u>\$ 9,285,386</u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 4

Page 13

	Governmental Funds					2018	2017
	General	Special Aid	Food Service	Debt Service	Capital Projects	Total	Total
Revenue							
Real property taxes	\$ 7,832,244	\$ -	\$ -	\$ -	\$ -	\$ 7,832,244	\$ 7,638,181
Charges for services	173,870	-	-	-	-	173,870	153,047
Use of money and property	141,289	-	177	3,806	-	145,272	146,690
Sale of property compensation for loss	54,513	-	-	-	-	54,513	38,687
Miscellaneous	398,826	152	44,360	-	-	443,338	522,516
State sources	11,286,589	347,897	9,882	-	904,561	12,548,929	11,360,514
Federal sources	131,323	613,784	293,826	-	-	1,038,933	886,283
Surplus food	-	-	41,707	-	-	41,707	43,240
Sales (school food service)	-	-	111,225	-	-	111,225	121,547
Total revenue	20,018,654	961,833	501,177	3,806	904,561	22,390,031	20,910,705
Expenditures							
General support	2,734,970	-	167,184	-	-	2,902,154	2,811,306
Instruction	10,778,183	734,510	-	-	-	11,512,693	11,070,268
Pupil transportation	407,551	19,586	-	-	230,194	657,331	720,750
Employee benefits	4,760,221	224,431	69,384	-	-	5,054,036	4,586,482
Debt service							
Principal	1,030,967	-	-	-	-	1,030,967	927,950
Interest	236,305	-	-	-	-	236,305	271,548
Capital outlay	-	-	-	-	6,266,364	6,266,364	2,134,389
Cost of sales	-	-	190,718	-	-	190,718	185,542
Other expenses	-	-	84,951	-	-	84,951	81,093
Total expenditures	19,948,197	978,527	512,237	-	6,496,558	27,935,519	22,789,328
Excess (deficiency) of revenue over expenditures	70,457	(16,694)	(11,060)	3,806	(5,591,997)	(5,545,488)	(1,878,623)
Other sources and uses							
BANs redeemed from appropriations	-	-	-	-	220,967	220,967	202,950
Proceeds from the refunding of bonds	-	-	-	4,223,970	-	4,223,970	-
Payment for the refunding of bonds	-	-	-	(4,223,970)	-	(4,223,970)	-
Premium received on bond issuance	-	-	-	4,631	1,230,000	1,234,631	31,140
Issuance of serial bonds	-	-	-	-	8,815,000	8,815,000	-
Operating transfers in	5,465	21,228	-	5,093	100,000	131,786	162,104
Operating transfers out	(121,228)	(4,534)	-	-	(6,024)	(131,786)	(162,104)
Total other sources (uses)	(115,763)	16,694	-	9,724	10,359,943	10,270,598	234,090
Excess (deficiency) of revenue and other sources over expenditures and other uses	(45,306)	-	(11,060)	13,530	4,767,946	4,725,110	(1,644,533)
Fund equity (deficit), beginning of year	5,468,571	-	208,416	684,339	(1,147,729)	5,213,597	6,858,130
Fund equity, end of year	\$ 5,423,265	\$ -	\$ 197,356	\$ 697,869	\$ 3,620,217	\$ 9,938,707	\$ 5,213,597

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, 2018

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2018	Total 6/30/2017
Assets				
Cash	\$ 10,661	\$ 73,730	\$ 84,391	\$ 170,525
Investments in securities	4,492	-	4,492	4,415
Other receivables	-	875	875	826
Due from other funds	-	840	840	-
Total assets	\$ 15,153	\$ 75,445	\$ 90,598	\$ 175,766
Liabilities				
Accrued liabilities	\$ -	\$ 18,383	\$ 18,383	\$ 30,490
Due to other funds	-	-	-	82,290
Other liabilities	-	8,873	8,873	-
Student extraclassroom activity funds	-	48,189	48,189	46,159
Total liabilities	-	75,445	75,445	158,939
Net Position				
Reserved for scholarships	15,153	-	15,153	16,827
Total liabilities and net position	\$ 15,153	\$ 75,445	\$ 90,598	\$ 175,766

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 6

Page 15

	<u>6/30/2018</u>		<u>6/30/2017</u>
Additions			
Gifts and contributions	\$ 1,156	\$	2,263
Interest earnings	170		384
	<hr/>		
Total additions	1,326		2,647
Deductions			
Scholarships awarded	3,000		4,050
	<hr/>		
Change in net position	(1,674)		(1,403)
Net position - beginning of year	16,827		18,230
	<hr/>		
Net position - end of year	<u>\$ 15,153</u>	<u>\$</u>	<u>16,827</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

Total fund balances - governmental funds \$ 9,938,707

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	\$ 48,724,057	
Accumulated depreciation	<u>(20,066,206)</u>	28,657,851

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.	299,776
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(45,000)
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Net 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.	3,065,907
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Net deferred inflows and outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, OPEB expense is based on required contributions.	(1,474,666)
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Net deferred inflows and outflows of resources related to the refunding of bonds are reported on the statement of net position and amortized over the maturity of the bond.	340,595
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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	(15,848,601)	
Net pension liability	(141,340)	
Other post-employment benefits	(33,587,733)	
Compensated absences	<u>(328,444)</u>	(49,906,118)

Total net position (deficit) - governmental activities \$ (9,122,948)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 5,727,845	\$ -	\$ -	\$ -	\$ 5,727,845
Due from other funds	261,662	-	-	(261,662)	-
State and federal aid receivable	1,169,435	-	-	-	1,169,435
Other receivables	26,249	-	-	-	26,249
Due from other governments	797,236	-	-	-	797,236
Inventories	38,406	-	-	-	38,406
Prepaid expenditures	58,735	-	-	-	58,735
Net pension asset	-	299,776	-	-	299,776
Cash to be used for capital assets	4,350,962	-	-	-	4,350,962
Capital assets, net	-	28,657,851	-	-	28,657,851
Total assets	12,430,530	28,957,627	-	(261,662)	41,126,495
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	4,376,743	-	-	4,376,743
Deferred outflows related to bond refunding	-	340,595	-	-	340,595
Total assets & deferred outflows of resources	\$ 12,430,530	\$ 33,674,965	\$ -	\$ (261,662)	\$ 45,843,833
Liabilities, Deferred Inflows of Resources and Fund equity/Net position					
Liabilities					
Accounts payable	\$ 1,026,463	\$ -	\$ -	\$ -	\$ 1,026,463
Accrued liabilities	25,270	-	-	-	25,270
Accrued interest	-	-	45,000	-	45,000
Due to other funds	262,502	-	-	(261,662)	840
Unearned revenue and other liabilities	14,142	-	-	-	14,142
Due to other governments	192	-	-	-	192
Due to retirement systems	747,870	-	-	-	747,870
Bond anticipation notes payable	388,000	-	-	-	388,000
Bonds payable	-	-	15,848,601	-	15,848,601
Net pension liability	-	141,340	-	-	141,340
Other post-employment benefits	-	-	33,587,733	-	33,587,733
Compensated absences	27,384	-	328,444	-	355,828
Total liabilities	2,491,823	141,340	49,809,778	(261,662)	52,181,279
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	1,310,836	-	-	1,310,836
Deferred inflows related to OPEB	-	1,474,666	-	-	1,474,666
Total liabilities & deferred inflows of resources	2,491,823	2,926,842	49,809,778	(261,662)	54,966,781
Fund equity and net position (deficit)					
Total liabilities, deferred inflows of resources and fund equity/net position (deficit)	\$ 9,938,707	30,748,123	(49,809,778)	-	(9,122,948)
	\$ 12,430,530	\$ 33,674,965	\$ -	\$ (261,662)	\$ 45,843,833

**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, 2018**

Total net change in fund balances - governmental funds	\$ 4,725,110
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	\$ 6,556,698
Depreciation expense	<u>(1,328,325)</u>
	5,228,373
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.	(61,037)
Repayment of bond principal (including bond refunding) and BAN principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	5,254,937
Proceeds from the issuance of long-term debt (including bond refunding) 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.	(14,494,568)
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.	(132,375)
District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from actuarial changes are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans.	(98,145)
District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's contribution to the OPEB plan.	(641,038)
In the statement of activities, compensated absences 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.	<u>(48,106)</u>
Change in net position of governmental activities	<u>\$ (266,849)</u>

	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	\$ 7,832,244	\$ -	\$ -	\$ -	\$ 7,832,244
Charges for services	173,870	-	-	(173,870)	-
Use of money and property	145,272	-	-	(177)	145,095
Sale of property compensation for loss	54,513	(61,037)	-	-	(6,524)
Miscellaneous	443,338	-	-	(44,360)	398,978
State sources	12,548,929	-	-	(357,779)	12,191,150
Federal sources	1,038,933	-	-	(907,610)	131,323
Surplus food	41,707	-	-	(41,707)	-
Sales (school food service)	111,225	-	-	(111,225)	-
Total revenue	22,390,031	(61,037)	-	(1,636,728)	20,692,266
Expenditures					
General support	2,902,154	197,365	-	417,889	3,517,408
Instruction	11,512,693	929,450	48,107	3,837,560	16,327,810
Pupil transportation	657,331	(88,824)	-	165,650	734,157
Employee benefits	5,054,036	-	739,182	(5,793,218)	-
Debt service	1,267,272	-	(898,592)	-	368,680
Capital outlay	6,266,364	(6,266,364)	-	-	-
Cost of sales	190,718	-	-	(179,658)	11,060
Other expenses	84,951	-	-	(84,951)	-
Total expenditures	27,935,519	(5,228,373)	(111,303)	(1,636,728)	20,959,115
Excess (deficiency) of revenue over expenditures	(5,545,488)	5,167,336	111,303	-	(266,849)
Other sources and uses					
BANs redeemed from appropriations	220,967	-	(220,967)	-	-
Proceeds from the refunding of bonds	4,223,970	-	(4,223,970)	-	-
Payment for the refunding of bonds	(4,223,970)	-	4,223,970	-	-
Premiums received on bond issuance	1,234,631	-	(1,234,631)	-	-
Issuance of serial bonds	8,815,000	-	(8,815,000)	-	-
Operating transfers in	131,786	-	-	(131,786)	-
Operating transfers out	(131,786)	-	-	131,786	-
Total other sources (uses)	10,270,598	-	(10,270,598)	-	-
Net change for year	\$ 4,725,110	\$ 5,167,336	\$ (10,159,295)	\$ -	\$ (266,849)

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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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 available at the District's offices.

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 approximately \$5,759,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to approximately \$1,723,000 the year ended June 30, 2018. Financial statements for the Greater Southern Tier BOCES are available at the BOCES administrative offices in Elmira, New York.

C. Basis of Presentation

1. District-wide Statements

The Statement of Net Position (Deficit) 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, which 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. Investments

Investments are stated at current market value.

G. 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.

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 (Deficit) 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 \$355,828. 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 (Deficit) 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 four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-wide Statement of Net Position (Deficit). The second item is related to pensions reported in the district-wide Statement of Net Position (Deficit). 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 third item is the District contributions to the pension

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Inflows and Outflows of Resources (continued)

systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item related to OPEB reporting in the District-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

In addition to liabilities, the statement of net position (deficit) 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 two items that qualify for reporting in this category and is related to pensions reported in the district-wide Statement of Net Position (Deficit). This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS and TRS 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. The second item relates to OPEB reporting in the District-wide Statement of Net Position (Deficit). This represents the actuarial differences that are deferred and amortized.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

A. Nonspendable (continued)

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.

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 and was related to prepaid health insurance in the current year.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

4. Capital Reserve (continued)

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 General Fund.

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)

2. Governmental Funds (continued)

B. Restricted (continued)

3. Endowment Scholarships Reserve

This reserve is used to account for endowments, scholarships, and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution.

4. Reserve for Unemployment

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may be either transferred to another reserve or the excess applied to the appropriations next succeeding fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is recorded in the General Fund.

5. Reserve for Repairs

This reserve is used to accumulate funds to finance future costs of major repairs to capital improvements or equipment. Voter authorization is required to fund the reserve. Expenditures of this reserve may be made only after a public hearing has been held. In an emergency, expenditures may be made from the reserve without a public hearing with approval of two-thirds of the Board of Education. The emergency expenditure must be repaid within the next two succeeding years. This reserve is accounted for in the General Fund.

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, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

2. Governmental Funds (continued)

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 \$65,500 as of June 30, 2018.

2. Appropriated Fund Equity

General Fund - The amount of approximately \$803,834 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019 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 supplemental appropriations of \$3,638 during the fiscal year ended June 30, 2018 related to gifts and donations received.
- e.) During the year ended June 30, 2018, the Board of Education approved a transfer of up to \$300,000 from Unassigned Fund Balance to Capital Reserve.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

T. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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 (deficit)" of governmental activities reported in the Statement of Net Position (Deficit). This difference primarily results from the additional long-term economic focus of the Statement of Net Position (Deficit) 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.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018 per the bank were approximately \$10,351,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Carrying Value</u>
\$ 503,000	\$ 9,848,000	\$ 10,351,000

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, 2018, the District's bank deposits were fully collateralized.

II. Interfund Transactions

Interfund balances as of June 30, 2018 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 256,055	\$ 840
School Lunch Fund	-	18,518
Special Aid Fund	-	236,606
Debt Service Fund	5,607	-
Capital Project Fund	-	6,538
Fiduciary Funds	840	-
Total	<u>\$ 262,502</u>	<u>\$ 262,502</u>

Interfund transfers during the fiscal year ended June 30, 2018 were as follows:

	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ 5,465	\$ 121,228
School Lunch Fund	-	-
Special Aid Fund	21,228	4,534
Capital Fund	100,000	6,024
Debt Service Fund	5,093	-
Total	<u>\$ 131,786</u>	<u>\$ 131,786</u>

During the current year ended June 30, 2018, the District transferred \$21,228 from the General Fund to the Special Aid Fund to cover the local portion of the summer school program costs. The capital fund transferred the remaining \$6,018 for prior year capital outlay projects to the general fund and \$6 to the debt service fund from the prior year bus purchase. Lastly, \$100,000 was transferred from the general fund to the capital fund for the current year capital outlay project.

III. Receivables

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

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

III. Receivables (continued)

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Aid	State and Federal Aid	\$ 213,901
Special Aid	Other Receivables	10,193
Food Service	State and Federal Aid	-
Food Service	Other Receivables	114
General	State and Federal Aid	331,339
General	Due from Other Governments	797,236
General	Other Receivables	15,942
Capital Projects	State and Federal Aid	624,195
		<u>\$ 1,992,920</u>

IV. Capital Assets

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance 06/30/17</u>	<u>Net Additions (Disposals)</u>	<u>Ending Balance 06/30/18</u>
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 44,028	\$ -	\$ 44,028
Construction in Process	2,181,756	4,515,565	6,697,321
Capital assets that are depreciated:			
Buildings and improvements	36,070,396	1,746,802	37,817,198
Machinery and equipment	4,091,475	74,035	4,165,510
Total depreciable historical cost	<u>42,387,655</u>	<u>\$ 6,336,402</u>	<u>48,724,057</u>
Less accumulated depreciation:			
Buildings and improvements	16,053,605	\$ 1,110,468	17,164,073
Furniture and equipment	2,843,535	58,598	2,902,133
Total accumulated depreciation	<u>18,897,140</u>	<u>\$ 1,169,066</u>	<u>20,066,206</u>
Total net book value	<u>\$23,490,515</u>		<u>\$28,657,851</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 227,847
Instruction	959,108
Pupil transportation	141,370
	<u>\$ 1,328,325</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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

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
2018	\$ 693,000	\$ 189,000
2017	\$ 732,000	\$ 192,000
2016	\$ 806,000	\$ 206,000

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, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

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

At June 30, 2018, 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, 2018 for ERS and June 30, 2017 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 Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Measurement date	ERS		TRS	
	3/31/2018		6/30/2017	
Net pension asset (liability)	\$	(141,340)	\$	299,776
District's portion of the Plan's total net pension asset (liability)		.0043783%		.039439%

For the year ended June 30, 2018, the District's recognized pension expense of \$162,626 for ERS and \$757,458 for TRS. At June 30, 2018 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	\$ 50,411	\$ 246,642	\$ 41,658	\$ 116,879
Changes of assumptions	93,720	3,050,283	-	-
Net difference between projected and actual earnings on pension plan investments	205,284	-	405,211	706,060
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	18,003	22,055	28,862	12,166
District's contributions subsequent to the measurement date	54,873	635,472	-	-
Total	\$ 422,291	\$ 3,954,452	\$ 475,731	\$ 835,105

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), 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 asset (liability) in the year ended June 30, 2019. 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:		
2019	\$ 76,883	\$ 708,628
2020	19,420	810,795
2021	(102,323)	581,294
2022	(47,420)	147,151
2023	-	579,614
Thereafter	-	291,865

4. Actuarial Assumptions

The total pension asset (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 asset (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	3/31/18	6/30/17
Actuarial valuation date	4/1/17	6/30/16
Interest rate	7%	7.5%
Salary scale	3.8% average 4/1/10 – 3/31/15	1.9% - 4.72% 7/1/09 – 6/30/14
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	2.5%

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, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2015. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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:

Measurement date	Expected		Expected	
	ERS 3/31/18	Rate of Return	TRS 6/30/17	Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	37%	6.10%
International Equity	14%	6.35%	18%	7.30%
Private Equity	10%	7.75%	7%	-%
Real Estate	10%	5.80%	10%	5.40%
Absolute return strategies	2%	4.00%	-%	-%
Opportunistic portfolio	3%	5.89%	-%	-%
Real Assets	3%	5.54%	-%	-%
Domestic fixed income securities	-%	-%	17%	1.00%
Global fixed income securities	-%	-%	2%	0.80%
Bonds and Mortgages	17%	1.31%	8%	3.10%
Cash and Short-term	1%	(.25%)	1%	0.10%
Inflation-indexed bond funds	4%	1.50%	-%	-%
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 asset (liability) was 7% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6% for ERS and 6.5% for TRS) or 1-percentage point higher (8% for ERS and 8.5% for TRS) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (1,069,412)	\$ (141,340)	\$ 643,773

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 Asset (Liability) to the Discount Rate Assumption (continued)

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (5,164,259)	\$ 299,776	\$ 4,875,635

7. Pension Plan Fiduciary Net Position

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

Measurement date	(in thousands)	
	ERS 3/31/18	TRS 6/30/17
Employers' total pension asset (liability)	\$ 183,400,590	\$ 114,708,261
Plan net position	\$ 180,173,145	\$ 115,468,360
Employers' net pension asset (liability)	\$ (3,227,445)	\$ 760,000
Ratio of plan net position to be Employers' total pension asset (liability)	98.24%	100.66%

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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$54,873.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS 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, 2018 amounted to \$692,997 (employer contribution \$635,472 and employee contributions of \$57,525).

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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

3. Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2018 the plan had total active employees of 147 and retirees of 141.

4. Total OPEB Liability

The District's total OPEB liability of \$33,587,733 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

5. Actuarial Methods and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20% per year
Salary increases	3.20% per year
Discount rate	3.87% as of June 30, 2018 and 3.80% as of July 1, 2017 2018 – 5.5% reduced to an ultimate rate of 3.84% after
Healthcare cost trend rates	2070. District pays 85% for single and 82.5% for family – based on years of service and credited months
Retirees' share of benefit-related costs	

The discount rate was based on a yield for 20 year tax-exempt general obligation municipal bonds.

Mortality rates were based on the April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale RPH-2015.

The actuarial assumptions used in the July 1, 2017 valuation represents a long-term expectation of future OPEB outcomes.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

6. Changes in the Total OPEB Liability

Service cost	\$ 870,162
Interest	1,210,919
Changes in assumptions	(1,721,068)
Benefit payments	(1,193,641)
Net changes	(833,628)
Net OPEB liability – beginning of year (as previously stated)	7,053,136
Prior period adjustment (see note 5)	27,368,225
Net OPEB liability – end of year	<u>\$ 33,587,733</u>

Changes in assumptions reflect a change in the discount rate from 3.8% in 2017 to 3.87% in 2018. Also, salary scale changes from 3% to 3.2% and health care trend rate changes from 4.17%-5.3% to 3.84%-5.5%.

7. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

1% Decrease (2.87%)	Current Assumption (3.87%)	1% Increase (4.87%)
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Total OPEB liability	<u>\$ 41,322,911</u>	<u>\$ 33,587,733</u>	<u>\$ 29,068,907</u>
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8. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

1% Decrease (4.5%- 2.84%)	Current Assumption (5.5%- 3.84%)	1% Increase (6.5%- 4.84%)
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Total OPEB liability	<u>\$ 28,655,850</u>	<u>\$ 33,587,733</u>	<u>\$ 41,976,917</u>
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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

9. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,834,679. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date		
Changes in assumptions	\$ -	\$ 1,474,666
Total	<u>\$ -</u>	<u>\$ 1,474,666</u>

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

Year ended:	
2019	\$ (246,402)
2020	(246,402)
2021	(246,402)
2022	(246,402)
2023	(246,402)
Thereafter	(242,656)

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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

On September 20, 2016, the District issued bond anticipation notes in the amount of \$242,000. These notes were used to pay for transportation vehicle purchases. The notes carried an interest rate of 1.50% and matured on September 29, 2017.

On June 19, 2017, the District issued bond anticipation notes in the amount of \$2,540,000. These notes were used to pay for current capital project expenditures. The notes carried an interest rate of 2.25% and matured on June 19, 2018.

On September 29, 2017, the District issued bond anticipation notes in the amount of \$388,000. These notes were used to pay for current capital project expenditures. The notes carried an interest rate of 1.70% and are scheduled to mature on September 29, 2018.

On December 1, 2017, the District issued bond anticipation notes in the amount of \$2,500,000. These notes were used to pay for current capital project expenditures. The notes carried an interest rate of 1.51% and matured on June 19, 2018.

The following is a summary of the District's bond anticipation notes as of June 30, 2018:

Description of issue	Issue date	Final maturity	Interest rate	Outstanding as of 6/30/18
Bus BAN 2017	9/29/17	9/28/18	1.70%	\$ 388,000
Total				<u>\$ 388,000</u>

b. Short-Term Debt Interest

The District had short-term interest of \$81,488 for the year ended June 30, 2018, recorded in the general fund.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

a. Debt Limit

At June 30, 2018, the total indebtedness represents approximately 44% 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 in the current year. The District also refunded a portion of its 2010 serial bonds and issued new bonds totaling \$8,815,000.

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2018 and 2017 are as follows:

	Balance June 30, 2018	Balance June 30, 2017	Amounts Due Within One Year
2010 Serial Bond	\$ 1,635,000	\$ 6,170,000	\$ 770,000
2018 Serial Bond	10,049,631	-	365,000
2010 Refunding Serial Bond	4,163,970	-	5,000
OPEB Liability	33,587,733	7,053,136	-
Net Pension Liability			
TRS	-	421,861	-
ERS	141,340	438,028	-
Compensated absences	355,828	306,049	328,444
	<u>\$49,933,502</u>	<u>\$14,389,074</u>	<u>\$1,468,444</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes (continued)

During the year, the District made principal payments on its serial bond in the amount of \$810,000 and also issued new debt. The net change in compensated absences was an increase of \$49,779 during the fiscal year ended June 30, 2018. During the current year, other post-employment benefits liability increased in the amount of \$26,534,597 due to the District implementing GASB 75. Lastly, the District's proportionate share of the NYSERS net pension liability - ERS decreased by \$296,688 during the current year, while TRS went from having a net pension liability of \$421,861 in the prior year to a net pension asset in the amount of \$299,776 in the current year.

d. Summary

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

<u>Description of Issue</u>	<u>Outstanding at June 30, 2018</u>
<u>Serial Bonds</u>	
Serial Bonds, issued in 2018 with a maturity date of 2034, bonds carry interest at 3.441%. Proceeds used to fund additions and reconstruction projects. Plus: unamortized bond premium on bond issuance	\$ 8,815,000 <u>1,234,631</u> 10,049,631
Refunding serial bonds, issued in 2018 with a maturity date of 2026, bonds carry interest at 3.500% up to 4.000% at maturity. Proceeds used to fund additions and reconstruction projects. Plus: unamortized bond premium on bond issuance	3,725,000 <u>438,970</u> 4,163,970
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>1,635,000</u>
Total Serial Bonds	<u>\$ 15,848,601</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

e. Maturity

The following are the amortization schedules for the long-term liability for serial bonds.

Year	<u>Serial Bonds – 2010</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 770,000	\$ 198,725
2020	865,000	173,700
Total	<u>\$ 1,635,000</u>	<u>\$ 372,425</u>

Year	<u>Serial Bonds – 2018</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 365,000	\$ 436,444
2020	470,000	418,194
2021	495,000	394,694
2022	510,000	369,944
2023	550,000	344,444
2024-2028	2,930,000	1,297,470
2029-2033	3,230,000	527,970
2034	265,000	8,944
Total	<u>\$ 8,815,000</u>	<u>\$ 3,798,104</u>

Year	<u>Refunding Serial Bonds – 2010</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 5,000	\$ 136,378
2020	5,000	136,318
2021	815,000	136,250
2022	835,000	119,950
2023	855,000	103,250
2024-2026	1,210,000	90,500
Total	<u>\$ 3,725,000</u>	<u>\$ 722,646</u>

f. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$154,817 for the year ended June 30, 2018, recorded in the general fund.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

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.

h. Refunding of Bonds

In the current year, the District defeased certain general obligations and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

As a result of a difference between the carrying value of the refunded debt and reacquisition price of the refunded debt, a deferred outflows of resources in the amount of \$340,595 was recognized.

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, 2018
Nonspendable:		
Food Service	Inventory	\$ 38,406
General	Prepaid expense	\$ 58,067
Restricted:		
General	Reserve for employee benefits	\$ 258,656
	Reserve for capital	600,419
	Reserve for unemployment insurance	176,026
	Reserve for retirement system credits	1,168,006
	Reserve for repairs	205,442
	Reserve for tax certiorari	17,899
	Reserve for workers' compensation	695,937
		<u>\$ 3,122,385</u>
Debt Service	Reserve for debt service	\$ 697,869
Fiduciary	Reserve for endowment scholarships	\$ 15,153
Assigned:		
General	Appropriated Fund Balance	\$ 803,834
	Encumbrances	65,500
		<u>\$ 869,334</u>
Food Service	Fund Equity	\$ 158,950
Capital Project	Fund Equity	<u>\$ 3,620,217</u>

B. District-wide Net Position

Net position of the District include restricted net position of \$3,820,254 which represent restricted amounts in the general and debt service funds as presented above.

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 NY44 Health Benefits Plan Trust, a public entity risk pool operated for the benefit of participating schools, districts, BOCES and community colleges. 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 the 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 \$64,000 as of June 30, 2018 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.

VIII. Tax Abatements

The Chemung County Industrial Development Agency entered into a property tax abatement program (Payment in Lieu of Taxes – PILOT) with various corporations in the Elmira Heights Central School District's tax jurisdiction for the purpose of economic development. The terms and amounts of tax abated in the current year are as follow:

Corporation	Term	Tax abated during the year ended June 30, 2018
Corporation A	12/01/2003-12/31/2019	\$ 10,758
Corporation B	02/01/2006-07/01/2021	101,931
Corporation C	05/01/2008-04/30/2023	4,979
Corporation D	09/01/2009-12/31/2020	73,139
Corporation E	02/01/2013-01/31/2027	39,685
Corporation F	11/01/2013-10/31/2028	6,849
		<u>\$ 237,341</u>

NOTE 4 - CAPITAL PROJECTS

On March 1, 2016, the voters of the District authorized a new capital project in the amount of \$12,381,641. Total expenditures incurred during the year ended June 30, 2018 were \$6,265,521. Approximately \$936,000 of the project will be financed with Smart School Bond Act funds which includes classroom construction and technology purchases. Approximately \$8,815,000 of the project will be financed with serial bonds.

During the fiscal year ended June 30, 2018, the District purchased transportation vehicles in the amount of \$230,194, and expended \$843 for Bond Council Services in relation to the new bus BAN. These expenditures were recorded in the capital projects fund.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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NOTE 5 – PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement No. 45, which also required the District to calculate and report a net other postemployment benefit obligation. However, under GASB 45, Districts were required to amortize the OPEB liability over a period of years. The District has recorded a prior period adjustment in the amount of \$27,368,225 as a reduction in the District's net position as a result of this change in accounting principle.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 3, 2018, 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, 2018

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 7,631,798	\$ 7,631,798	\$ 7,632,306	\$ 508
Real property tax items	187,610	187,610	199,938	12,328
Charges for services	136,000	136,000	173,870	37,870
Use of money and property	132,400	132,400	141,289	8,889
Sale of property and compensation for loss	37,000	37,000	54,513	17,513
Miscellaneous	332,500	336,138	398,826	62,688
State Sources:				
Basic formula	9,097,570	9,097,570	8,943,281	(154,289)
BOCES	1,662,095	1,662,095	1,684,790	22,695
Textbooks	60,327	60,327	59,940	(387)
All other aid	841,057	841,057	598,578	(242,479)
Federal Sources:				
Medicaid reimbursement	50,000	50,000	131,323	81,323
Total revenue	20,168,357	20,171,995	20,018,654	(153,341)
Other Sources				
Operating transfer in	235,000	235,000	5,465	(229,535)
Total revenue and other sources	20,403,357	20,406,995	<u>\$ 20,024,119</u>	<u>\$ (382,876)</u>
Appropriated reserves	275,000	275,000		
Appropriated fund equity	697,791	724,255		
Total revenue, other sources and appropriated fund equity	<u>\$ 21,376,148</u>	<u>\$ 21,406,250</u>		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 18,262	\$ 18,263	\$ 9,380	\$ 285	\$ 8,598
Central administration	247,160	247,610	241,607	3,829	2,174
Finance	509,523	445,603	439,129	-	6,474
Staff	53,729	53,729	56,992	-	(3,263)
Central services	1,677,104	1,723,478	1,500,406	3,966	219,106
Special items	493,324	496,332	487,456	-	8,876
Instructional:					
Instruction, administration and improvement	568,002	567,004	558,094	-	8,910
Teaching - regular school	5,466,335	5,312,018	5,121,621	7,672	182,725
Programs for children with handicapping conditions	3,254,703	3,517,738	3,364,766	-	152,972
Teaching - special schools	122,320	126,320	127,502	-	(1,182)
Occupational education	995,293	997,793	997,735	-	58
Instructional media	145,214	148,464	99,540	23,254	25,670
Pupil services	531,736	542,466	508,925	112	33,429
Pupil Transportation	560,978	500,467	407,551	26,382	66,534
Employee Benefits	5,084,319	5,084,319	4,760,221	-	324,098
Debt Service:					
Debt service principal	970,359	970,359	1,030,967	-	(60,608)
Debt service interest	502,787	502,787	236,305	-	266,482
Total expenditures	21,201,148	21,254,750	19,948,197	65,500	1,241,053
Other Uses:					
Transfer to other funds	175,000	151,500	121,228	-	30,272
Total other uses	175,000	151,500	121,228	-	30,272
Total expenditures and other uses	\$ 21,376,148	\$ 21,406,250	20,069,425	\$ 65,500	\$ 1,271,325
Excess (deficit) of revenue and other sources over expenditures and other uses			\$ (45,306)		

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, 2018

Schedule SS1A

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	School Food Service Fund		
	Budget (Adopted)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 24,435	\$ 9,882	\$ (14,553)
Federal sources	275,380	293,826	18,446
Sales	119,831	111,225	(8,606)
Miscellaneous	46,441	44,360	(2,081)
Surplus food	35,000	41,707	6,707
Use of money and property	33	177	144
Total revenue	<u>501,120</u>	<u>501,177</u>	<u>57</u>
Expenditures			
General support	175,663	167,184	8,479
Employee benefits	73,392	69,384	4,008
Cost of sales	183,539	190,718	(7,179)
Other expenses	101,576	84,951	16,625
Total expenditures	<u>534,170</u>	<u>512,237</u>	<u>21,933</u>
Excess (deficit) of revenue over expenditures	<u>(33,050)</u>	<u>(11,060)</u>	<u>21,990</u>
Other sources (uses)			
Transfer to general fund	33,050	-	(33,050)
Excess (deficit) of revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>(11,060)</u>	<u>\$ (11,060)</u>
Fund equity, beginning of year		<u>208,416</u>	
Fund equity, end of year		<u>\$ 197,356</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, 2018

Schedule SS2

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CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 21,376,148
Additions:	
Prior year encumbrances	<u>26,464</u>
Original Budget	21,402,612
Budget Revisions:	
Donations received	<u>3,638</u>
Final budget	<u><u>\$ 21,406,250</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 22,525,858
Maximum allowed (4% of 2018-19 budget)	\$ 901,034

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	869,334
Unassigned fund balance	<u>1,373,479</u>
Total unrestricted fund balance	<u>2,242,813</u>
Less:	
Appropriated fund balance	803,834
Encumbrances included in committed and assigned fund balance	<u>65,500</u>
Total adjustments	<u>869,334</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,373,479</u></u>
Actual percentage	<u><u>6.1%</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, 2018

Schedule SS3

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Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2018		
			Prior Years	Current Year	Transfers to Other Funds	Total		Proceeds of Obligations	Local Sources	State Sources	Interfund Transfer		Total	
Capital Outlay Project - current year	\$ 100,000	\$ 100,000	\$ -	\$ 99,069	\$ 931	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ -	
Bus Purchases - current year	238,000	238,000	-	234,190	3,810	238,000	-	238,000	-	-	-	238,000	-	
Smart Schools Project - 7015S	(202,220)	-	3,711	772,303	-	776,014	(776,014)	-	-	776,014	-	776,014	-	
Smart Schools Project - 1012S	-	-	-	132,258	-	132,258	(132,258)	-	-	132,258	-	132,258	-	
Capital Improvement Project 2016	12,381,641	12,381,641	2,178,044	5,258,738	1,283	7,438,065	4,943,576	10,233,967	1,212,315	-	-	11,446,282	4,008,217	
	<u>\$ 12,517,421</u>	<u>\$ 12,719,641</u>	<u>\$ 2,181,755</u>	<u>\$ 6,496,558</u>	<u>\$ 6,024</u>	<u>\$ 8,684,337</u>	<u>\$ 4,035,304</u>	<u>\$ 10,471,967</u>	<u>\$ 1,312,315</u>	<u>\$ 908,272</u>	<u>\$ -</u>	<u>\$ 12,692,554</u>	<u>4,008,217</u>	
													Less: Bond Anticipation Notes	<u>(388,000)</u>
													Assigned fund equity as of June 30, 2018	<u>\$ 3,620,217</u>

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, 2018

Schedule SS4A

Page 43

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school *	N/A	2018	N/A	\$ 138,355	\$ 138,355
Summer school	N/A	2017	N/A	4,534	4,534
Universal Pre-kindergarten	0409-18-7179	2018	\$ 164,736	164,736	164,736
Universal Pre-kindergarten	0409-17-7179	2017	5,558	5,558	5,558
Extended Day Program	N/A	2018	N/A	55,942	55,942
School lunch programs	N/A	2018	N/A	7,952	7,952
School breakfast programs	N/A	2018	N/A	1,930	1,930
				<u>\$ 379,007</u>	<u>\$ 379,007</u>

* Revenue includes transfer from the general fund in the amount of \$21,228 for local share of summer school expenditures.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4B

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in 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, 2018, the District reported in the Schedule of Federal Awards \$41,707 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
U.S. Department of Education:					
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-18-0420	\$ 283,517	\$ 283,517	\$ 283,517
Title I	84.010A	0021-17-0420	1,500	1,500	1,500
Title II, Part A	84.367A	0147-18-0420	43,516	43,516	43,516
IDEA Part B, Section 611 *	84.027A	0032-18-0122	279,845	279,845	279,845
IDEA Part B, Section 619 *	84.173A	0033-18-0122	5,406	5,406	5,406
Total U.S. Department of Education				613,784	613,784
U.S. Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Breakfast Program **	10.553	N/A	N/A	38,755	38,755
National School Lunch Program **	10.555	N/A	N/A	255,071	255,071
Passed through NYS					
Office of General Services:					
National School Lunch Program					
Noncash assistance (Donated Commodities) **	10.555	N/A	N/A	41,707	41,707
Total U.S. Department of Agriculture				335,533	335,533
Total expenditures and revenue				\$ 949,317	\$ 949,317

* Constitutes a cluster of Federal programs named Special Education Cluster, with total revenue and expenditures of \$ 285,251

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 335,533

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS5

Page 45

Capital Assets	\$	28,657,851
Less:		
Serial bonds - capital and transportation related		(15,848,601)
Bond anticipation notes		(388,000)
Plus:		
Assets in capital projects fund, net of related payables		<u>4,008,217</u>
Net investment in capital assets	\$	<u><u>16,429,467</u></u>

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS6

Page 46

As of the measurement date of July 1,	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 870,162
Interest	1,210,919
Differences between expected and actual experience	-
Changes in assumptions	(1,721,068)
Benefit payments	<u>(1,193,641)</u>
Net change in total OPEB liability	(833,628)
Total OPEB liability - beginning	7,053,136
Prior period adjustment	27,368,225
Total OPEB liability - ending	<u><u>\$ 33,587,733</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,193,641
Net investment income	-
Benefit payments	<u>(1,193,641)</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
District's net OPEB liability	<u><u>\$ 33,587,733</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered-employee payroll	\$ 6,793,237
District's net OPEB liability as a percentage of covered-employee payroll	494.43%
Notes to Schedule:	
Benefit Changes: None	
Changes in assumptions:	Discount rate changes - 3.80% effective July 1, 2017 and 3.87% effective June 30, 2018
	Salary scale changes from 3.0% to 3.20%
	Health care trend rates from 5.30%-4.17% to 5.50%-3.84%

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

Schedule SS7

Page 47

For the year ended June 30,	<u>2018</u>
Actuarially determined contributions	\$ 1,193,641
Contributions in relation to the actuarially determined contribution	<u>(1,193,641)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 6,793,227
Contributions as a percentage of District's covered-employee payroll	17.57%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.87% as of June 30, 2018 and 3.80% as of July 1, 2017
Inflation	2.20% per year
Healthcare cost trend rates	2018 - 5.5%. Rates expected to decrease each year thereafter with an ultimate rate of 3.84% after 2070.
Salary increases	3.20% per year
Mortality	Scale MP-2017
Retiree Cost Sharing	District pays 85% for single and 82.5% for family - based on years of service
Participants	147 Active and 141 Retirees

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 20, 2018

Schedule SS8
Page 48

New York State Teachers' Retirement System

For the year ended June 30,	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 692,997	\$ 732,477	\$ 805,935	\$ 1,048,977	\$ 951,690	595,182
Contributions in relation to the contractually required contribution	(692,997)	(732,477)	(805,935)	(1,048,977)	(951,690)	(595,182)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,071,398	\$ 6,249,804	\$ 6,077,941	\$ 5,983,896	\$ 5,856,554	\$ 5,026,875
Contributions as a percentage of District's covered-employee payroll	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System

For the year ended March 31,	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 189,201	\$ 192,497	\$ 206,191	\$ 238,630	\$ 268,120	\$ 247,401
Contributions in relation to the contractually required contribution	(189,201)	(192,497)	(206,191)	(238,630)	(268,120)	(247,401)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,290,270	\$ 1,277,576	\$ 1,245,606	\$ 1,347,159	\$ 1,368,655	\$ 1,421,708
Contributions as a percentage of District's covered-employee payroll	14.66%	15.07%	16.55%	17.71%	19.59%	17.40%

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY) – NYSTRS AND PROPORTIONATE
SHARE OF NET PENSION LIABILITY –NYSLERS
FOR THE YEARS ENDED JUNE 30,2013 THROUGH JUNE 30, 2018

Schedule SS9

Page 49

New York State Teachers' Retirement System - Net Pension Asset (Liability)

As of the measurement date of June 30,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability or asset	n/a	0.039439%	0.039388%	0.039836%	0.039648%	0.038460%
District's proportionate share of the net pension asset (liability)	n/a	\$ 299,776	\$ (421,861)	\$ 4,137,682	\$ 4,416,486	\$253,162
District's covered-employee payroll	n/a	\$ 6,249,804	\$ 6,077,941	\$ 5,983,896	\$ 5,856,554	\$ 5,026,875
District's proportionate share of the net pension (liability) or asset as a percentage of its covered employee payroll	n/a	4.80%	6.94%	-69.15%	-75.41%	-5.04%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	100.66%	99.01%	110.46%	111.48%	100.70%

New York State Local Employees' Retirement System - Net Pension (Liability)

As of the measurement date of March 31,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0043793%	0.0046617%	0.0048247%	0.0053844%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (141,339)	\$ (438,028)	\$ (774,385)	\$ (181,897)	\$ (243,313)	n/a
District's covered-employee payroll	\$ 1,290,270	\$ 1,277,576	\$ 1,245,606	\$ 1,347,159	\$ 1,368,655	n/a
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	-10.95%	-34.29%	-62.17%	-13.50%	-17.78%	n/a
Plan fiduciary net position as a percentage of the total pension (liability)	98.24%	94.70%	90.70%	97.90%	n/a	n/a

**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, 2018, 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 October 4, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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.2018-001.

Elmira Heights Central School District's Response to Finding

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

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
October 10, 2018**

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

**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 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, 2018. *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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of *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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *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, 2018.

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 the Uniform Guidance, 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 10, 2018**

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Type of auditor's opinion issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a) yes x no

Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 949,317</u>

Identification of Major Programs Tested:

U.S. Department of Agriculture - National School Lunch Program **	10.553	255,071
U.S. Department of Agriculture - National School Breakfast Program **	10.555	38,755
U.S. Department of Agriculture - National School Donated Commodities **	10.555	<u>41,707</u>
Total major programs tested		<u>\$ 335,533</u>
% of Federal programs tested		<u>35%</u>

** Constitutes a cluster of Federal programs

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

Auditee qualified as low risk? x yes no

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2018

No findings related to internal control over financial reporting are being reported upon during the fiscal year ended June 30, 2018.

B. COMPLIANCE AND OTHER MATTERS

2018-001 Unassigned Fund Balance

Year ended June 30, 2018

Conditions and criteria: **Elmira Heights Central School District's** unassigned fund balance as of June 30, 2018 amounted to \$ 1,373,479. This amount constitutes approximately 6.1% of the 2018-2019 school budget.

Cause and Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not 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, 2018 was in excess of the NYS mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.

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

A. COMPLIANCE

Year ended June 30, 2018

There are no findings related to compliance being reported upon during the fiscal year ended June 30, 2018.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2018

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2018.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

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I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2017

Summary of Prior Year Finding: 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. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 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.

Current Status: No findings related to internal control over financial reporting are being reported upon during the year ended June 30, 2018. The auditors do not believe their assistance with the preparation of the financial statements for the District constitutes a significant deficiency.

B. COMPLIANCE AND OTHER MATTERS

2017-002 Unassigned Fund Balance

Year Ended June 30, 2017

Summary of Prior Year Finding: *Elmira Heights Central School District's* unassigned fund balance as of June 30, 2017 amounted to approximately \$2,036,000. This amount constitutes approximately 12.5% of the 2017-2018 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Current Status: Similar finding related to compliance and other matters is being reported upon during the year ended June 30, 2018 as finding 2018-001.

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

A. COMPLIANCE

Year Ended June 30, 2017

There were no findings related to compliance during the year ended June 30, 2017.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2017

There were no findings related to internal control over compliance during the year ended June 30, 2017.



**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, 2018 of the District's financial statements and have issued our reports thereon dated October 10, 2018. 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, 2018, 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.

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, 2014 through June 30, 2018. 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
October 10, 2018**

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

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Revenue and other sources					
Property taxes	\$ 7,832	\$ 7,638	\$ 7,588	\$ 7,629	\$ 7,526
State aid	11,287	10,970	11,804	11,361	10,816
All other	905	870	922	1,033	1,063
	<u>20,024</u>	<u>19,477</u>	<u>20,316</u>	<u>20,021</u>	<u>19,405</u>
Expenditures and other uses					
General support	2,735	2,646	2,652	2,674	2,480
Instruction	10,778	10,331	9,750	9,699	9,332
Transportation	408	439	439	410	493
Benefits	4,760	4,320	4,039	3,976	3,881
Debt	1,268	1,199	2,119	2,180	2,896
Transfers	121	153	1,375	184	73
	<u>20,070</u>	<u>19,089</u>	<u>20,374</u>	<u>19,122</u>	<u>19,155</u>
Excess (deficiency) of revenue over expenditures	(46)	388	(59)	899	250
Fund equity					
Beginning of year	5,467	5,079	5,138	4,239	3,989
End of year	<u>\$ 5,421</u>	<u>\$ 5,467</u>	<u>\$ 5,079</u>	<u>\$ 5,138</u>	<u>\$ 4,239</u>
Analysis of fund equity					
Nonspendable	\$ 58	\$ 319	\$ 237	\$ -	\$ 5
Restricted					
Reserve for repairs	205	205	205	205	204
Reserve for retirement system credits	1,168	1,166	1,165	813	736
Reserve for tax certiorari	18	18	18	18	(53)
Reserve for employee benefits	258	258	258	535	47
Reserve for unemployment insurance	176	176	176	175	175
Reserve for workers' compensation	696	696	696	596	395
Reserve for capital	600	300	-	1,211	810
Assigned					
Reserve for encumbrances	66	26	62	23	34
Next year's budget	804	698	600	705	600
Unassigned	1,373	1,603	1,662	858	1,285
	<u>\$ 5,421</u>	<u>\$ 5,467</u>	<u>\$ 5,079</u>	<u>\$ 5,138</u>	<u>\$ 4,239</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Page 3

Fund Balance Reserves

As of June 30, 2018, 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 commend the District for developing a schedule that documents the funding and use of reserves and recommend that this document continue to be evaluated, modified when appropriate, and reviewed with the Board of Education during a public meeting at least annually. The District should also consider developing a formal reserve plan that would outline the extent of each reserve, its rationale for the existing levels, and its plans for funding and use in the future.

In addition, the District has various cash accounts related to the reserve accounts which do not reconcile with reserve balances in equity. We recommend the District maintain cash accounts to agree with fund balance reserves that are authorized by the Board and voters of the District.

Lastly, the District will be required to communicate information about its fund balance reserves to its taxpayers which includes the types of reserves, level of reserves and plan for use of reserve in the upcoming year. The District should begin to plan for this new level of reporting.

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.

School Funding Transparency Reporting

In 2018, New York State passed a law requiring New York Schools to annually report a detailed statement of total funding allocation for each school in the District. A School Funding Transparency Form was created by New York State to capture this information. Beginning in 2020, the District will be required to submit this form annually to the Division of the Budget and State Education Department. Because this is a new reporting model, we recommend that the District continue to review any new guidance issued by New York State and seek opportunities to attend future educational seminars if they arise.

District's response: District will continue to monitor guidance issued and attend trainings as available in preparation of the requirement to fil School Funding Transparency Form.

Investment Policy

Given the rising interest rate environment, we recommend that the District review its investment policy to ensure it is maximizing interest earned.

District response: The District will review its investment policy in the current year and determine whether changes are warranted.

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT

***EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT***

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND***

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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**

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, 2018, 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, 2018 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 10, 2018**

ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND
JULY 1, 2017 THROUGH JUNE 30, 2018

	Balances July 01, 2017	Total Receipts 2017-18	Total Receipts & Balances	Total Payments 2017-18	Balances June 30, 2018
Class of 2014	\$ 4,525	\$ -	\$ 4,525	\$ 2,150	\$ 2,375
Class of 2017	413	-	413	413	-
Class of 2018	15,227	27,137	42,364	39,748	2,616
Class of 2019	2,219	30,014	32,233	14,040	18,193
Class of 2020	5,084	3,463	8,547	2,299	6,248
Class of 2021	-	4,568	4,568	2,643	1,925
Builders' Club	1,184	713	1,897	449	1,448
Eighth Grade Class	436	6,329	6,765	6,233	532
Junior Rotarian	90	376	466	376	90
TAE Key Club	985	900	1,885	585	1,300
Middle School Council	3,507	5,939	9,446	7,068	2,378
Middle School Yearbook	1,048	1,531	2,579	1,559	1,020
Sales Tax	186	3,639	3,825	3,706	119
Seventh Grade Class	539	4,675	5,214	5,109	105
Student Council	2,860	1,523	4,383	2,550	1,833
Student Council Savings	6,574	3	6,577	-	6,577
TAE Spartan Coffee Corner	1,282	2,929	4,211	2,781	1,430
Total activity fund	\$ 46,159	\$ 93,739	\$ 139,898	\$ 91,709	\$ 48,189

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018***

Page 3

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 \$48,189 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.

**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:

In planning and performing our audit of the statement of cash receipts and disbursements – cash basis of the Extraclassroom Activity Fund of *Elmira Heights Central School District* as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered *Elmira Heights Central School District's* internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Additional comments for the extraclassroom fund of Elmira Heights Central School District are listed below:

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 dictated that all money is to be deposited in a specific number of business day. All advisors will again be reminded they must submit their deposits in the time frame dictated by Board policy.

Gross Margin Analysis

The District may wish to implement a process where profitability/gross margin expectations are developed prior to the commencement of each fundraiser. At the conclusion of the fundraiser, the actual results could then be compared to that expected. This gross margin analysis would serve the purpose of determine whether actual profits are in line with that estimated, along with determining whether the fundraiser was ultimately successful.

District's response: The District will consider performing a gross margin analysis for its fundraisers once completed.

This communication is intended solely for the information and use of management, Board of Education, and others within *Elmira Heights Central School District*, and is not intended to be, and should not be, used by anyone other than these specified parties.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 10, 2018**

October 10, 2018

To the Audit Committee
and Board of Education
Elmira Heights School District
Elmira Heights, New York

We have audited the financial statements of Elmira Heights School District as of and for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Governmental Auditing standards and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Elmira Heights School District are described in Note 1 to the financial statements. During the year the district implemented a new accounting policy for the new standard GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which caused a prior period adjustment to the year ended 2017. For further information related to this accounting change please see note 5 of the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of depreciation is based on estimates of useful lives of assets and cost basis of certain assets were derived from a third-party independent appraisal company. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, the District also has estimated future costs associated with pension and other post-employment benefits and has recorded a net pension liability (TRS & ERS) and another post-employment benefit liability based on an actuarial study performed by a third-party actuary. We evaluated the key assumptions used to develop this study and its reasonableness in relation to the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures on long-term debt in Note 3IV to the financial statements, due to their significance.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Elmira Heights School District

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, including combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board and management of Elmira Heights School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.