

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT***

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2016***

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

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Elmira Heights Central School District* as of and for the year ended June 30, 2016, 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, 2016, 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 and each major fund of the *Elmira Heights Central School District* as of June 30, 2016, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the *Elmira Heights Central School District's* June 30, 2015 financial statements, and our report dated September 24, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 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 on pages 3 through 9, 36 through 37, and 45 through 47 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 5, 2016 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 5, 2016

**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, 2016. 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, 2016:

- Overall net position of the District increased from operations during the current year in the amount of \$1,975,000 as compared to an increase of \$2,066,000 during the prior fiscal year.
- The District's total revenue increased 2% from \$21,270,000 during June 30, 2015 to \$21,659,000 during June 30, 2016. This increase was primarily the result of an increase in state aid.
- The District's total expenses increased 2% from \$19,204,000 during the year ended June 30, 2015 to \$19,684,000 during the year ended June 30, 2016. This increase was primarily the result of an increase in health insurance costs from higher premium rates and GASB 68 pension costs related to the employee retirement system.

**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.

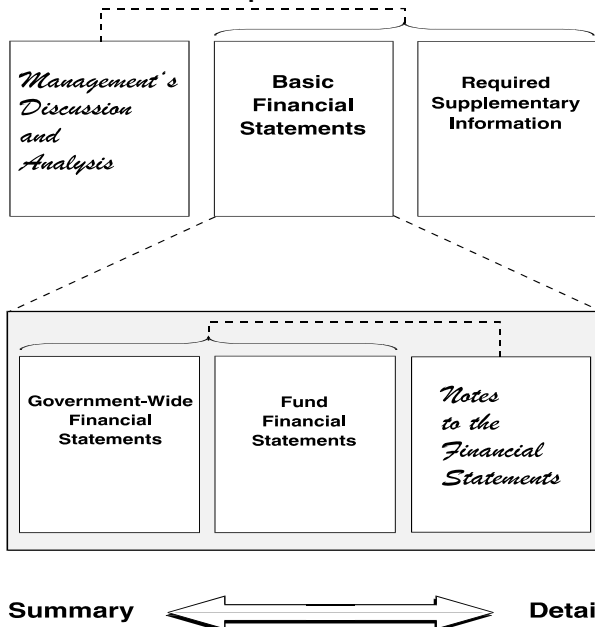
**2. Fiduciary Funds**

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 2%, while total expenses increased 2%. The District's total net assets increased approximately \$1,975,000 from operations during the fiscal year ended June 30, 2016.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$21,659,000 for the fiscal year ended June 30, 2016. 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 decreased 1% in comparison with the prior year and was the result of slight decreases in STAR Aid and PILOTs.
- The District's most significant revenue is state sources which represent \$11,804,000 or 54% of total governmental revenue. The District's state sources increased by approximately \$443,000 with the most significant increase in basic aid.
- During the year ended June 30, 2016, the District saw an increase in program revenue which mostly resulted from an increase in operating grants and contributions of \$93,000 and a decrease in charges for services of \$27,000 as compared with the prior year revenue. The increase in operating grants and contributions was related to a higher Title I allocation received in the current year.

**IV. Financial Analysis of the School District as a Whole**

Net Position

The District's total reporting entity net position was approximately \$18,767,000. The components of net assets include: net investment in capital assets, of \$16,462,000; restricted net position of \$3,169,000; and unrestricted net position deficit of \$864,000 as of June 30, 2016.

Changes in Net Position

The District's total government-wide revenue increased by approximately 2% to \$21,659,000. 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 2% to \$19,684,000. The District's expenses cover a range of services, with 76% related to instruction and 17% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.



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

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$19,684,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$2,000 or 0% which was primarily due to an increase in salaries, employee benefits and BOCES services. The increases were partially offset by a decrease in contractual expenses.
- The District's instruction costs increased by approximately \$489,000 or 3% which was primarily due to an increase in health insurance costs.
- Debt service of the District decreased approximately \$49,000 during the year ended June 30, 2016, which was primarily the result of a decrease in interest expense.
- Transportation costs of the District increased 4% or \$25,000 during the year ended June 30, 2016 as a result of increases in contractual costs and employee benefits.
- The District's cost of sales (food service fund) totaled \$422,000 during the current year as compared to \$409,000 during the fiscal year ended June 30, 2015. This increase was the result of an increase in salaries and employee benefits.
- The District received approximately \$1,564,000 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 (\$ 18.1 million) were financed by real property taxes and state aid.

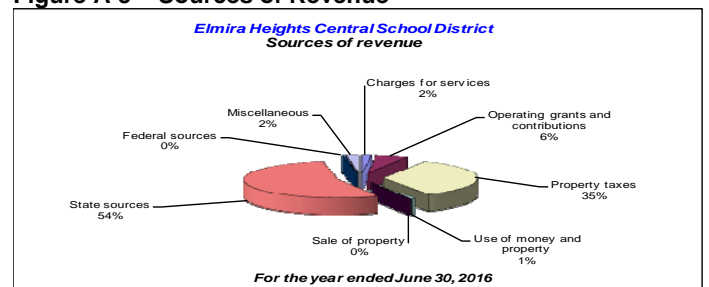
**Figure A-3 – Condensed Statement of Net Assets**

<i>Elmira Heights Central School District</i>			
<b>Condensed Statement of Net Position (in thousands of dollars)</b>			
	Governmental Activities and Total District-wide		
	2016	2015	% Change
<b>Assets</b>			
Current and other assets	\$ 12,345	\$ 11,673	6%
Capital assets	22,435	23,532	-5%
<b>Total assets</b>	<b>34,780</b>	<b>35,205</b>	<b>-1%</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	1,530	1,138	34%
Deferred outflows of resources and assets	<b>\$ 36,310</b>	<b>\$ 36,343</b>	<b>0%</b>
<b>Liabilities</b>			
Other liabilities	\$ 1,327	\$ 1,615	-18%
Long-term liabilities	14,660	14,878	-1%
<b>Total liabilities</b>	<b>15,987</b>	<b>16,493</b>	<b>-3%</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	1,556	3,058	-49%
Deferred inflows of resources and liabilities	<b>17,543</b>	<b>19,551</b>	<b>-10%</b>
<b>Net Position</b>			
Net investment in capital assets	16,462	14,655	12%
Restricted	3,169	4,128	-23%
Unrestricted (deficit)	(864)	(1,991)	-57%
<b>Total net position</b>	<b>18,767</b>	<b>16,792</b>	<b>12%</b>
Total liabilities, deferred inflows of resources, and net position	<b>\$ 36,310</b>	<b>\$ 36,343</b>	<b>0%</b>

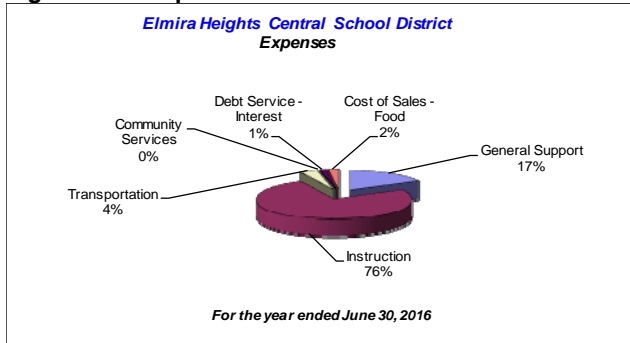
**Figure A-4 – Changes in Net Position**

<i>Elmira Heights Central School District</i>			
<b>Changes in Net Position from Operating Results (in thousands of Dollars)</b>			
	Governmental Activities and Total District-wide		
	2016	2015	% Change
<b>Revenue</b>			
Program revenue			
Charges for services	\$ 336	\$ 363	-7%
Operating grants and contributions	1,228	1,135	8%
General revenue			
Real property taxes	7,588	7,629	-1%
Use of money & property	153	145	6%
Sale of property & comp for loss	0	(6)	-101%
State sources	11,804	11,361	4%
Federal sources	73	73	0%
Miscellaneous	477	570	-16%
<b>Total revenue</b>	<b>21,659</b>	<b>21,270</b>	<b>2%</b>
<b>Expenses</b>			
General support	3,225	3,223	0%
Instruction	15,028	14,539	3%
Transportation	738	713	4%
Debt service - interest	271	320	-15%
Cost of sales	422	409	3%
<b>Total expenses</b>	<b>19,684</b>	<b>19,204</b>	<b>2%</b>
<b>Change in net position</b>	<b>\$ 1,975</b>	<b>\$ 2,066</b>	

**Figure A-5 – Sources of Revenue**



**Figure A-6 - Expenses**



**Figure A-7 – Expenditures Supported with Program Revenue**

	Governmental Activities & Total District			
	2016		2015	
Expenditures supported with general revenue (from taxes & other sources)	\$ 18,120	92%	\$ 17,706	92%
Expenditures supported with program revenue	1,564	8%	1,498	8%
<b>Total expenditures related to governmental activities</b>	<b>\$ 19,684</b>	<b>100%</b>	<b>\$ 19,204</b>	<b>100%</b>

**Figure A-8 – Net Cost of Governmental Activities**

	Total cost of services			Net cost of services		
	2016	2015	Change	2016	2015	Change
General support	\$ 3,225	\$ 3,223	\$ 2	\$ 3,225	\$ 3,223	\$ 2
Instruction	15,028	14,539	489	13,941	13,501	440
Transportation	738	713	25	724	696	28
Debt service - interest	271	320	(49)	271	320	(49)
Cost of sales - food	422	409	13	(41)	(34)	(7)
<b>Total</b>	<b>\$ 19,684</b>	<b>\$ 19,204</b>	<b>\$ 480</b>	<b>\$ 18,120</b>	<b>\$ 17,706</b>	<b>\$ 414</b>

**V. Financial Analysis of the School District's Funds**

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

**V. Financial Analysis of the School District's Funds**

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

General Fund

- The District's general fund expenditures and other uses exceeded its revenues and other sources by approximately \$60,000.
- The District's general fund unassigned fund balance equaled approximately \$1,665,000 as of June 30, 2016.
- The District maintained many fund balance reserves during the year ended June 30, 2016, and had a total restricted and non-spendable fund balance approximated \$2,754,000.
- The District's total assets increased approximately \$945,000 as of June 30, 2016 due to increases in cash and prepaid expenditures. The District's liabilities increased approximately \$1,005,000, primarily due to an increase in the amount due to the capital project fund.
- Total revenue in the District's general fund increased \$301,000, which was primarily related to increases in state aid.
- Total expenditures in the District's general fund increased \$1,253,000 primarily as a result of the transfer of the capital reserve to the capital projects fund as authorized by the voters and higher health insurance costs.

Food Service Fund

- The District's food service fund experienced a \$33,000 increase in fund equity in the current year.
- Revenue in the food service fund was \$462,000 during 2016 as compared with \$442,000 in 2015. Expenditures increased \$13,000 as a result of increases in salaries and employee benefits.

Special Aid Fund

- The District's special aid fund revenue and expenditures increased approximately \$49,000 or 6%. This increase was primarily related to a higher Title I allocation received in the current year.

Capital Projects Fund

- The District had expenditures in the amount of \$266,000 in capital projects during the year ended June 30, 2016, which was primarily related to a capital outlay project and the \$12.4 million project beginning in the current year.

**VI. General Fund Budgetary Highlight**

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$281,000 below the revised budget. The most significant positive variances were in the areas of instruction and employee benefits, which were \$867,000 and \$321,000, respectively, below that budgeted. That was offset by operating transfers being \$1,207,000 above the budget. This transfer was authorized by the voters during the year. On the other hand, resources available for appropriations were approximately \$389,000 above the final budgeted amount. The significant variances in revenue items consisted of a favorable variance in local sources in the amount of \$401,000, 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
<b>Revenue</b>			
Local sources	\$ 8,030	\$ 8,431	\$ 401
State sources	11,831	11,804	(27)
Federal sources	50	73	23
Other sources	16	8	(8)
<b>Total revenue</b>	<b>\$ 19,927</b>	<b>\$ 20,316</b>	<b>\$ 389</b>
<b>Expenditures</b>			
General support	\$ 2,887	\$ 2,652	\$ 235
Instruction	10,618	9,751	867
Transportation	498	439	59
Employee benefits	4,360	4,039	321
Debt service	2,124	2,119	5
Operating transfers	169	1,375	(1,206)
<b>Total expenditures</b>	<b>\$ 20,656</b>	<b>\$ 20,375</b>	<b>\$ 281</b>

**VII. Capital Assets and Debt Administration**

Capital Assets

As depicted in Figure A-10, as of June 30, 2016, the District had invested approximately \$22,435,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment.

Capital additions made during the year ended June 30, 2016, totaled \$295,661 and consisted primarily of costs associated with the Jr./Sr. High capital project outlay and the \$12.4 million dollar capital project beginning in the year end June 30, 2016. More detailed information about the District's capital assets is presented in the notes of the financial statements.

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

Long-term Debt

As depicted in Figure A-11, as of June 30, 2016, the District had approximately \$14,659,000 in bonds, net pension liability, compensated absences and other post-employment benefits, a decrease of approximately \$218,000 as compared with the previous year. The decrease in bonds payable was the result of the principal payments made during the year. The increase in the post-employment benefit liability is the result of recording one year's worth of amortization of the District's unfunded actuarial accrued liability in accordance with GASB 45. Lastly the increase in net pension liability was due to differences between the projected and actual results of the ERS pension liability.

**Figure A-10 – Capital Assets**

<i>Elmira Heights Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2016	2015	Change
Land	\$ 44,028	\$ 44,028	0%
Buildings	35,870,655	35,461,865	1%
Construction in progress	247,108	-	n/a
Equipment	3,989,998	4,354,567	-8%
Accumulated depreciation	(17,716,960)	(16,328,679)	9%
<b>Total Capital Assets, net</b>	<b>\$ 22,434,829</b>	<b>\$ 23,531,781</b>	<b>-5%</b>

**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		
	2016	2015	Change
Bonds payable	\$ 6,895,000	\$ 8,546,916	-19%
Net pension liability	774,385	181,897	326%
Other post-employment benefits	6,696,542	5,850,360	14%
Compensated absences	293,323	298,462	-2%
<b>Total Long-Term Debt</b>	<b>\$ 14,659,250</b>	<b>\$ 14,877,635</b>	<b>-1%</b>

**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**  
**AS OF JUNE 30, 2016**

**Schedule 1**

**Page 10**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash		
Unrestricted	\$ 3,325,528	\$ 1,934,811
Restricted	3,168,723	4,127,590
Receivables		
State and federal aid	632,387	450,907
Other receivables	13,215	28,107
Due from other governments	751,434	668,428
Due from fiduciary funds	32,837	21,767
Inventories	14,950	15,592
Prepaid expenditures	237,139	149
Net pension asset - NYS Teachers' Retirement System	4,137,682	4,416,486
Cash to be used for capital assets	31,741	9,585
Capital assets, net	<u>22,434,829</u>	<u>23,531,781</u>
Total assets	<u>34,780,465</u>	<u>35,205,203</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	1,529,556	1,137,941
Total assets and deferred outflows of resources	<u>\$ 36,310,021</u>	<u>\$ 36,343,144</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 187,529	\$ 48,352
Accrued liabilities	47,255	42,379
Accrued interest	11,000	21,000
Due to other governments	875	254
Due to retirement systems	925,744	1,161,193
Unearned revenue	11,949	13,096
Bond anticipation notes payable	142,950	329,443
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	725,000	1,635,000
Portion due or payable after one year		
Bonds payable	6,170,000	6,911,916
Net pension liability - NYS Employees' Retirement System	774,385	181,897
Other post-employment benefits	6,696,542	5,850,360
Compensated absences	<u>293,323</u>	<u>298,462</u>
Total liabilities	<u>15,986,552</u>	<u>16,493,352</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	1,556,404	3,057,810
Total liabilities and deferred inflows of resources	<u>17,542,956</u>	<u>19,551,162</u>
<b>Net Position</b>		
Net investment in capital assets	16,462,087	14,655,422
Restricted	3,168,723	4,127,590
Unrestricted (deficit)	<u>(863,745)</u>	<u>(1,991,030)</u>
Total net position	<u>18,767,065</u>	<u>16,791,982</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 36,310,021</u>	<u>\$ 36,343,144</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule 2**

**Page 11**

			Program Revenues		2016	2015
	Indirect		Charges for	Operating	Net (Expense)	Net (Expense)
	Expenses	Allocation	Services	Grants	Revenue and	Revenue and
	Expenses				Changes in	Changes in
					Net Position	Net Position
<b>Functions/Programs</b>						
General support	\$ 2,993,956	\$ 230,664	\$ -	\$ -	\$ (3,224,620)	\$ (3,222,947)
Instruction	14,053,699	974,851	213,346	874,355	(13,940,849)	(13,502,009)
Pupil transportation	550,996	187,098	-	13,899	(724,195)	(695,949)
Debt service	270,975	-	-	-	(270,975)	(319,608)
Food service program	421,857	-	122,913	339,486	40,542	33,510
Depreciation	1,392,613	(1,392,613)	-	-	-	-
Total functions and programs	\$ 19,684,096	\$ -	\$ 336,259	\$ 1,227,740	(18,120,097)	(17,707,003)
<b>General Revenues</b>						
Real property taxes					7,588,248	7,628,550
Use of money and property					152,611	144,596
Sale of property and compensation for loss					78	(5,872)
Miscellaneous					477,303	571,322
State sources					11,804,136	11,360,947
Federal sources					72,804	73,415
Total general revenues					20,095,180	19,772,958
<b>Change in net position</b>					1,975,083	2,065,955
Net position - beginning of year					16,791,982	13,696,591
Prior period adjustments					-	1,029,436
<b>Net position - end of year</b>					\$ 18,767,065	\$ 16,791,982

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2016**

**Schedule 3**

**Page 12**

	Governmental Funds					2016	2015
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Assets</b>							
Unrestricted cash	\$ 3,097,189	\$ 21,460	\$ 206,918	\$ -	\$ -	\$ 3,325,567	\$ 1,944,396
Restricted cash	2,516,850	-	-	651,834	31,741	3,200,425	4,127,590
Due from other funds	361,997	-	-	39	1,212,316	1,574,352	258,359
State and federal aid receivable	368,901	240,695	22,791	-	-	632,387	450,907
Other receivables	12,562	-	653	-	-	13,215	28,107
Due from other governments	751,434	-	-	-	-	751,434	668,428
Inventories	-	-	14,950	-	-	14,950	15,592
Prepaid items	237,139	-	-	-	-	237,139	149
Total assets	<u>\$ 7,346,072</u>	<u>\$ 262,155</u>	<u>\$ 245,312</u>	<u>\$ 651,873</u>	<u>\$ 1,244,057</u>	<u>\$ 9,749,469</u>	<u>\$ 7,493,528</u>
<b>Liabilities and Fund Equity</b>							
<b>Liabilities</b>							
Accounts payable	\$ 55,450	\$ 3,439	\$ -	\$ -	\$ 128,640	\$ 187,529	\$ 48,352
Accrued liabilities	44,785	1,866	604	-	-	47,255	42,379
Bond anticipation notes payable	-	-	-	-	142,950	142,950	329,443
Due to other funds	1,212,316	248,846	30,144	-	50,209	1,541,515	236,592
Unearned revenue	-	8,004	3,945	-	-	11,949	13,096
Due to other governments	648	-	227	-	-	875	254
Due to Teachers' Retirement System	871,949	-	-	-	-	871,949	1,109,645
Due to Employees' Retirement System	46,528	-	7,267	-	-	53,795	51,548
Compensated absences	33,522	-	-	-	-	33,522	29,761
Total liabilities	<u>2,265,198</u>	<u>262,155</u>	<u>42,187</u>	<u>-</u>	<u>321,799</u>	<u>2,891,339</u>	<u>1,861,070</u>
<b>Fund Equity</b>							
Nonspendable	237,139	-	14,950	-	-	252,089	15,741
Restricted	2,516,850	-	-	651,873	-	3,168,723	4,127,590
Assigned	662,030	-	188,175	-	922,258	1,772,463	882,688
Unassigned	1,664,855	-	-	-	-	1,664,855	606,439
Total fund equity	<u>5,080,874</u>	<u>-</u>	<u>203,125</u>	<u>651,873</u>	<u>922,258</u>	<u>6,858,130</u>	<u>5,632,458</u>
Total liabilities and fund equity	<u>\$ 7,346,072</u>	<u>\$ 262,155</u>	<u>\$ 245,312</u>	<u>\$ 651,873</u>	<u>\$ 1,244,057</u>	<u>\$ 9,749,469</u>	<u>\$ 7,493,528</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule 4**

**Page 13**

	Governmental Funds					2016	2015
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
<b>Revenue</b>							
Real property taxes	\$ 7,588,248	\$ -	\$ -	\$ -	\$ -	\$ 7,588,248	\$ 7,628,550
Charges for services	213,346	-	-	-	-	213,346	237,799
Use of money and property	152,324	-	70	287	-	152,681	144,673
Sale of property compensation for loss	78	-	-	-	-	78	125
Miscellaneous	477,303	-	1,516	-	-	478,819	576,164
State sources	11,804,136	290,458	10,839	-	-	12,105,433	11,639,586
Federal sources	72,804	597,796	293,465	-	-	964,065	886,512
Surplus food	-	-	35,182	-	-	35,182	39,838
Sales (school food service)	-	-	121,327	-	-	121,327	121,993
Total revenue	20,308,239	888,254	462,399	287	-	21,659,179	21,275,240
<b>Expenditures</b>							
General support	2,651,832	-	156,067	-	-	2,807,899	2,824,509
Instruction	9,750,847	685,188	-	-	-	10,436,035	10,361,949
Pupil transportation	439,076	13,899	-	-	18,792	471,767	444,459
Employee benefits	4,038,878	233,139	53,682	-	-	4,325,699	4,220,923
Debt service							
Principal	1,821,493	-	-	-	-	1,821,493	1,832,382
Interest	297,891	-	-	-	-	297,891	348,080
Capital outlay	-	-	-	-	247,108	247,108	99,830
Cost of sales	-	-	179,178	-	-	179,178	188,987
Other expenses	-	-	32,930	-	-	32,930	26,215
Total expenditures	19,000,017	932,226	421,857	-	265,900	20,620,000	20,347,334
<b>Excess (deficiency) of revenue over expenditures</b>	1,308,222	(43,972)	40,542	287	(265,900)	1,039,179	927,906
<b>Other sources and uses</b>							
BANs redeemed from appropriations	-	-	-	-	186,493	186,493	232,382
Premium received on bond issuance	-	-	-	-	-	-	1,199
Operating transfers in	7,557	43,972	-	-	1,331,108	1,382,637	190,218
Operating transfers out	(1,375,080)	-	(7,387)	-	(170)	(1,382,637)	(190,218)
Total other sources (uses)	(1,367,523)	43,972	(7,387)	-	1,517,431	186,493	233,581
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	(59,301)	-	33,155	287	1,251,531	1,225,672	1,161,487
Fund equity (deficit), beginning of year	5,140,175	-	169,970	651,586	(329,273)	5,632,458	4,470,971
<b>Fund equity, end of year</b>	\$ 5,080,874	\$ -	\$ 203,125	\$ 651,873	\$ 922,258	\$ 6,858,130	\$ 5,632,458

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, 2016**

**Schedule 5**

**Page 14**

	Private Purpose Trusts	Agency Funds	Total 06/30/16	(Memo only) Total 06/30/15
<b>Assets</b>				
Cash	\$ 14,118	\$ 107,061	\$ 121,179	\$ 112,166
Investments in securities	4,112	-	4,112	4,165
Other receivables	-	-	-	1,920
Total assets	<u>\$ 18,230</u>	<u>\$ 107,061</u>	<u>\$ 125,291</u>	<u>\$ 118,251</u>
<b>Liabilities</b>				
Accrued liabilities	\$ -	\$ 26,960	\$ 26,960	\$ 12,358
Due to other funds	-	32,837	32,837	21,767
Student extraclassroom activity funds	-	47,264	47,264	62,363
Total liabilities	<u>-</u>	<u>107,061</u>	<u>107,061</u>	<u>96,488</u>
<b>Net Position</b>				
Reserved for scholarships	18,230	-	18,230	21,763
Total liabilities and net position	<u>\$ 18,230</u>	<u>\$ 107,061</u>	<u>\$ 125,291</u>	<u>\$ 118,251</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule 6**

**Page 15**

	06/30/16	(Memo only)	06/30/15
<b>Additions</b>			
Gifts and contributions	\$ 1,377	\$	2,645
Interest earnings	85		345
Total additions	1,462		2,990
<b>Deductions</b>			
Scholarships awarded	4,995		5,025
<b>Change in net position</b>	(3,533)		(2,035)
Net position - beginning of year	21,763		23,798
<b>Net position - end of year</b>	<b>\$ 18,230</b>	<b>\$</b>	<b>21,763</b>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

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**Total fund balances - governmental funds** \$ 6,858,130

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	\$ 40,151,789	
Accumulated depreciation	<u>(17,716,960)</u>	22,434,829

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds pension costs are based on required contributions.	4,137,682
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(11,000)
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Deferred inflows and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions.	(26,848)
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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	(6,895,000)	
Net pension liability	(774,385)	
Other post-employment benefits	(6,696,542)	
Compensated absences	<u>(259,801)</u>	<u>(14,625,728)</u>

**Total net position - governmental activities** \$ 18,767,065

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
<b>Assets</b>					
Cash	\$ 6,525,992	\$ -	\$ -	\$ -	\$ 6,525,992
Due from other funds	1,574,352	-	-	(1,541,515)	32,837
State and federal aid receivable	632,387	-	-	-	632,387
Other receivables	13,215	-	-	-	13,215
Due from other governments	751,434	-	-	-	751,434
Inventories	14,950	-	-	-	14,950
Prepaid expenditures	237,139	-	-	-	237,139
Net pension asset	-	4,137,682	-	-	4,137,682
Capital assets, net	-	22,434,829	-	-	22,434,829
Total assets	9,749,469	26,572,511	-	(1,541,515)	34,780,465
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	-	1,529,556	-	-	1,529,556
Total assets & deferred outflows of resources	\$ 9,749,469	\$ 28,102,067	\$ -	\$ (1,541,515)	\$ 36,310,021
<b>Liabilities, Deferred Inflows of Resources and Fund equity/Net position</b>					
<b>Liabilities</b>					
Accounts payable	\$ 187,529	\$ -	\$ -	\$ -	\$ 187,529
Accrued liabilities	47,255	-	-	-	47,255
Accrued interest	-	-	11,000	-	11,000
Due to other funds	1,541,515	-	-	(1,541,515)	-
Unearned revenue and other liabilities	11,949	-	-	-	11,949
Due to other governments	875	-	-	-	875
Due to retirement systems	925,744	-	-	-	925,744
Bond anticipation notes payable	142,950	-	-	-	142,950
Bonds payable	-	-	6,895,000	-	6,895,000
Net pension liability	-	774,385	-	-	774,385
Other post-employment benefits	-	-	6,696,542	-	6,696,542
Compensated absences	33,522	-	259,801	-	293,323
Total liabilities	2,891,339	774,385	13,862,343	(1,541,515)	15,986,552
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	-	1,556,404	-	-	1,556,404
Total liabilities & deferred inflows of resources	2,891,339	2,330,789	13,862,343	(1,541,515)	17,542,956
<b>Fund equity and net position</b>					
Total liabilities, deferred inflows of resources and fund equity/position	6,858,130	25,771,278	(13,862,343)	-	18,767,065
	\$ 9,749,469	\$ 28,102,067	\$ -	\$ (1,541,515)	\$ 36,310,021

**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, 2016**

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**Total net change in fund balances - governmental funds** \$ 1,225,672

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	\$ 295,661	
Depreciation expense	<u>(1,392,613)</u>	(1,096,952)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,821,493

Proceeds from the issuance of long-term debt and BANs redeemed from appropriations are recorded as revenue in governmental funds. However, in the statement of activities, proceeds from long-term debt are not recorded as revenue. Rather, long-term debt is recorded as a liability in the statement of net position. (186,493)

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. 26,916

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans. 1,021,729

In the statement of activities, compensated absences, special termination benefits and judgments and claims, are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used:

Compensated absences	8,900	
Other post-employment benefits	<u>(846,182)</u>	(837,282)

**Change in net position of governmental activities** \$ 1,975,083

	Total Governmental Funds	Long-term Assets and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
<b>Revenue</b>					
Real property taxes	\$ 7,588,248	\$ -	\$ -	\$ -	\$ 7,588,248
Charges for services	213,346	-	-	(213,346)	-
Use of money and property	152,681	-	-	(70)	152,611
Sale of property compensation for loss	78	-	-	-	78
Miscellaneous	478,819	-	-	(1,516)	477,303
State sources	12,105,433	-	-	(301,297)	11,804,136
Federal sources	964,065	-	-	(891,261)	72,804
Surplus food	35,182	-	-	(35,182)	-
Sales (school food service)	121,327	-	-	(121,327)	-
Total revenue	21,659,179	-	-	(1,563,999)	20,095,180
<b>Expenditures</b>					
General support	2,807,899	230,664	-	186,057	3,224,620
Instruction	10,436,035	926,298	837,282	1,741,234	13,940,849
Pupil transportation	471,767	187,098	-	65,330	724,195
Employee benefits	4,325,699	-	(1,021,729)	(3,303,970)	-
Debt service	2,119,384	-	(1,848,409)	-	270,975
Capital outlay	247,108	(247,108)	-	-	-
Cost of sales	179,178	-	-	(219,720)	(40,542)
Other expenses	32,930	-	-	(32,930)	-
Total expenditures	20,620,000	1,096,952	(2,032,856)	(1,563,999)	18,120,097
Excess (deficiency) of revenue over expenditures	1,039,179	(1,096,952)	2,032,856	-	1,975,083
<b>Other sources and uses</b>					
BANs redeemed from appropriations	186,493	-	(186,493)	-	-
Operating transfers in	1,382,637	-	-	(1,382,637)	-
Operating transfers out	(1,382,637)	-	-	1,382,637	-
Total other sources (uses)	186,493	-	(186,493)	-	-
<b>Net change for year</b>	\$ 1,225,672	\$ (1,096,952)	\$ 1,846,363	-	\$ 1,975,083

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Page 18**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Significant Accounting Policies**

The accompanying financial statements of the *Elmira Heights Central School District* have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

**1. The Extraclassroom Activity Funds**

The extraclassroom activity funds of the *Elmira Heights Central School District* represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 59-62 of this report.

**B. Joint Venture**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Joint Venture (continued)**

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

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

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

During the year, the District was billed \$4,984,000 for BOCES administration and program costs. The District's share of BOCES aid and refunds amounted to \$2,229,000 the year ended June 30, 2016. Financial statements for the Greater Southern Tier BOCES are available at the BOCES administrative offices.

**C. Basis of Presentation**

**1. District-wide Statements**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**1. District-wide Statements (continued)**

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

**2. Fund Financial Statements**

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

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

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**2. Fund Financial Statements (continued)**

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

**D. Measurement Focus and Basis of Accounting**

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Measurement Focus and Basis of Accounting (continued)**

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

**E. Cash and Cash Equivalents**

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

**F. Inventory**

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

**G. Investments**

Investments are stated at current market value.

**H. Capital Assets**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Capital Assets (continued)**

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

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

**I. Due To/From Other Funds**

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

**J. Compensated Absences**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave. The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. The District has recorded an estimated liability in the District-wide financial statement amounting to \$293,323. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Unearned Revenue**

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

**L. Post-Employment Benefits**

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

**M. Deferred Inflows and Outflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Deferred Inflows and Outflows of Resources (continued)**

contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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

**N. Fund Equity**

**1. Governmental Funds**

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

**A. Nonspendable**

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

**1. Inventory Reserve**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**A. Nonspendable (continued)**

**2. Prepaid Reserve**

This reserve is used to restrict a portion of fund balance, relating to prepaid expenses paid in the current year, which is not in spendable form. This reserve is accounted for in the General Fund 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 for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. The reserve is accounted for in the Capital Projects Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**B. Restricted (continued)**

**5. Workers' Compensation Reserve**

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next fiscal year's budget. The reserve is accounted for in the General Fund.

**6. Debt Service Reserve**

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

**7. Reserve for Insurance Recoveries**

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

**8. Tax Certiorari Reserve**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**1. Governmental Funds (continued)**

**C. Committed**

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2016.

**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 \$62,030 as of June 30, 2016.

**2. Appropriated Fund Equity**

General Fund - The amount of approximately \$600,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2017 as allowed by Section 1318 of the Real Property Tax Law.

**E. Unassigned**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fund Equity (continued)**

**2. Government-wide financial statements**

**A. Net Investment in Capital Assets**

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

**B. Restricted**

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

**C. Unrestricted**

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

**3. Order of Fund Balance Spending Policy**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Budgetary Procedures and Budgetary Accounting**

**1. Budget Policies**

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had no supplemental appropriations during the fiscal year ended June 30, 2016.
- e.) During the year ended June 30, 2016, the Board of Education approved transfers from unassigned fund balance to the Employee Retirement Reserve (\$150,000) and Workers' Compensation Reserve (\$100,000).

**2. Budget Basis for Accounting**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Budgetary Procedures and Budgetary Accounting (continued)**

**2. Budget Basis for Accounting (continued)**

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

**P. Property Taxes**

**1. Calendar**

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

**2. Enforcement**

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

**Q. Interfund Transfers**

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

**R. Deferred Compensation Plan**

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

**S. Estimates**

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



**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

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

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

**1. Long-term Revenue Differences**

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

**2. Capital Related Differences**

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

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

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

**3. Long-term Debt Transaction Differences**

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**I. Cash**

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

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

**A. Deposits**

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

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

Total financial institution (bank) balances at June 30, 2016 per the bank were approximately \$6,715,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Carrying Value</u>
\$ 504,000	\$ 6,211,000	\$ 6,715,000

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016, the District's bank deposits were fully collateralized.

**II. Interfund Transactions**

Interfund balances as of June 30, 2016 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 361,997	\$ 1,212,316
School Lunch Fund	-	30,144
Special Aid Fund	-	248,846
Debt Service Fund	39	-
Capital Project Fund	1,212,316	50,209
Fiduciary Funds	-	32,837
<b>Total</b>	<b><u>\$ 1,574,352</u></b>	<b><u>\$ 1,574,352</u></b>

Interfund transfers during the fiscal year ended June 30, 2016 were as follows:

	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ 7,557	\$ 1,375,080
School Lunch Fund	-	7,387
Special Aid Fund	43,972	-
Capital Fund	1,331,108	170
<b>Total</b>	<b><u>\$ 1,382,637</u></b>	<b><u>\$ 1,382,637</u></b>

During the current year ended June 30, 2016, the District transferred \$43,972 from the General Fund to the Special Aid Fund to cover the local portion of the summer school grant. The school lunch fund transferred \$7,387 to the general fund to cover employee benefit costs. The capital fund transferred the remaining \$170 from the prior year capital outlay to the general fund. Lastly, \$1,331,108 was transferred from the general fund to the capital fund for the bus garage lease (\$16,792), current year capital outlay project (\$100,000) and for the District's portion (1,212,316) of the \$12.4 million dollar project.

**III. Receivables**

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

**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	\$ 240,695
Food Service	State and Federal Aid	22,791
Food Service	Other Receivables	653
General	State and Federal Aid	368,901
General	Due from Other Governments	751,434
General	Other Receivables	<u>12,562</u>
		<u><u>\$ 1,397,036</u></u>

**IV. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance 06/30/15</u>	<u>Net Additions (Disposals)</u>	<u>Ending Balance 06/30/16</u>
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 44,028	\$ -	\$ 44,028
Construction in Process	-	247,108	247,108
Capital assets that are depreciated:			
Buildings and improvements	35,461,865	408,790	35,870,655
Machinery and equipment	<u>4,354,567</u>	<u>(364,569)</u>	<u>3,989,998</u>
Total depreciable historical cost	<u>39,860,460</u>	<u>\$ 291,329</u>	<u>40,151,789</u>
Less accumulated depreciation:			
Buildings and improvements	13,444,600	\$ 1,496,248	14,940,848
Furniture and equipment	<u>2,884,079</u>	<u>(107,967)</u>	<u>2,776,112</u>
Total accumulated depreciation	<u>16,328,679</u>	<u>\$ 1,388,281</u>	<u>17,716,960</u>
Total net book value	<u><u>\$23,531,781</u></u>		<u><u>\$22,434,829</u></u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 230,664
Instruction	974,851
Pupil transportation	187,098
	<u>\$ 1,392,613</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](http://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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**2. Contributions**

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

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

	TRS		ERS	
2016	\$	989,969	\$	207,371
2015	\$	1,010,151	\$	215,807
2014	\$	1,009,857	\$	267,991

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, 2016**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

Actuarial valuation date	ERS 3/31/16	TRS 6/30/15
Net pension asset/(liability)	\$ (774,385)	\$ 4,137,682
District's portion of the Plan's total net pension asset/(liability)	.0048247%	.039836%

For the year ended June 30, 2016, the District's recognized pension expense of \$267,910 for ERS and the actuarial value (\$275,234) for TRS. At June 30, 2016 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	\$ 3,913	\$ -	\$ -	\$ 114,673
Changes of assumptions	206,505	-	-	-
Net difference between projected and actual earnings on pension plan investments	459,408	-	-	1,307,943
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	-	121,714	12,074
District's contributions subsequent to the measurement date	53,795	805,935	-	-
<b>Total</b>	<b>\$ 723,621</b>	<b>\$ 805,935</b>	<b>\$ 121,714</b>	<b>\$ 1,434,690</b>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

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

	ERS	TRS
Year ended:		
2017	\$ 191,664	\$ 276,799
2018	137,869	(529,136)
2019	137,869	(529,136)
2020	134,505	215,925
2021	-	(15,885)
Thereafter	-	(47,322)

**4. Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/16	6/30/15
Actuarial valuation date	4/1/15	6/30/14
Interest rate	7%	8%
Salary scale	3.8% average 4/1/10 – 3/31/15	4.01% - 10.91% 7/1/05 – 6/30/10
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	3%

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**4. Actuarial Assumptions (continued)**

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. 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, 2015 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, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

	ERS 3/31/16	TRS 6/30/15
Measurement date		
Asset Type:		
Domestic Equity	38%	37%
International Equity	13%	18%
Private Equity	10%	-%
Real Estate	8%	10%
Other investments	9%	7%
Domestic fixed income securities	-%	17%
Global fixed income securities	-%	2%
Bonds and Mortgages	18%	8%
Cash and Short-term	2%	1%
Inflation-indexed bonds	2%	-%
Total:	100%	100%

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

**5. Discount Rate**

The discount rate used to calculate the total pension liability was 7% for ERS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 8% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1- percentage point lower (6% for ERS and 7% for TRS) or 1-percentage point higher (8% for ERS and 9% 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)	\$ (1,746,182)	\$ (774,385)	\$ 46,742

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**A. Pension Plans (continued)**

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

TRS	1% Decrease (7%)	Current Assumption (8%)	1% Increase (9%)
Employer's proportionate share of the net pension asset (liability)	\$ (282,243)	\$ 4,137,682	\$ 7,906,949

**7. Pension Plan Fiduciary Net Position**

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

Valuation date	(Dollars in Thousands)	
	ERS 3/31/16	TRS 6/30/15
Employers' total pension liability	\$ 172,303,544	\$ 99,332,104
Plan net position	\$ 156,252,265	\$ 109,718,917
Employers' net pension asset/(liability)	\$ (16,050,279)	\$ 10,386,813
Ratio of plan net position to be Employers' total pension asset/(liability)	90.7%	110.46%

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$53,795.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 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, 2016 amounted to \$871,949 (employer contribution \$805,935 and employee contributions of \$66,014).

**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. Annual OPEB Cost and Net OPEB Obligation**

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

The following table summarizes the District's annual OPEB cost for 2016, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 800,013
Amortization of unfunded actuarial accrued liability	793,660
Interest adjustment	292,518
Annual required contribution adjustment	<u>(219,123)</u>
	1,667,068
Contributions made	<u>(820,886)</u>
Increase in net OPEB obligation	846,182
Net OPEB obligation - beginning of year	<u>5,850,360</u>
	\$ 6,696,542
Net OPEB obligation - end of year	<u>\$ 6,696,542</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015 and 2014 are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/16	\$1,667,068	49.2%	\$ 6,696,542
6/30/15	1,595,038	56.5%	5,850,360
6/30/14	1,642,788	48.7%	5,156,562

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

**4. Funding Status and Funding Progress**

As of June 30, 2016, the actuarial accrued liability for benefits was \$21,189,929, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$6,900,000 and the ratio of unfunded actuarial liability to the covered payroll was 307.1%.

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

**5. Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Valuation assumptions are as follows:

*Measurement Date* – July 1, 2015.

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

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

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**B. Other Post-Employment Benefits (continued)**

**5. Actuarial Methods and Assumptions (continued)**

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

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

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

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

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

**C. Indebtedness**

**1. Short-Term Debt**

**a. Bond Anticipation Notes**

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

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**1. Short-Term Debt (continued)**

**a. Bond Anticipation Notes (continued)**

The following is a summary of the District's BANS payables as of June 30, 2016:

Description of issue	Issue date	Final maturity	Interest rate	Outstanding as of 6/30/16
Bus Ban	3/11/16	3/10/17	1.35%	\$ 86,946
Bus Ban	3/11/16	3/10/17	1.35%	56,004
Total				<u>\$ 142,950</u>

**b. Short-Term Debt Interest**

The District had short-term interest of \$4,928 for the year ended June 30, 2016, recorded in the general fund.

**2. Long-Term Debt**

**a. Debt Limit**

At June 30, 2016, the total indebtedness represents approximately 21% of its debt limit.

**b. Serial Bonds**

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**c. Changes**

The changes in the School District's indebtedness during the year ended June 30, 2016 and 2015 are as follows:

	Balance June 30, 2016	Balance June 30, 2015	Amounts Due Within One Year
10 Serial Bond	\$ 6,895,000	\$ 7,595,000	\$ 725,000
12 Serial Bond	-	951,916	-
OPEB Liability	6,696,542	5,850,360	-
Net pension liability	774,385	181,897	-
Compensated absences	293,323	298,462	-
	<u>\$14,659,250</u>	<u>\$14,877,635</u>	<u>\$ 725,000</u>

During the year, the District made principal payments on its serial bonds in the amount of \$1,635,000, and amortized premium of \$16,916. The net change in compensated absences was a decrease of \$5,139 during the fiscal year ended June 30, 2016. During the current year, other post-employment benefits liability increased in the amount of \$846,182. Lastly, in the prior year, the District implemented GASB 68 which resulted in a net pension liability related to the NYS Employees' Retirement System, which increased by \$592,488 during the current year.

**d. Maturity**

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

Description of Issue	Outstanding at June 30, 2016
<u>Serial Bonds</u>	
Serial Bonds, issued in 2010 with a maturity date of 2026, bonds carry interest at 3.500%. Proceeds used to fund additions and reconstruction projects.	
	<u>\$ 6,895,000</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**V. Liabilities (continued)**

**C. Indebtedness (continued)**

**2. Long-Term Debt (continued)**

**d. Maturity (continued)**

Year	Serial Bonds – 2010	
	Principal	Interest
2017	\$ 725,000	\$ 243,913
2018	750,000	222,163
2019	770,000	198,725
2020	795,000	173,700
2021	825,000	146,869
2022-2026	3,030,000	282,994
<b>Total</b>	<b>\$ 6,895,000</b>	<b>\$ 1,268,364</b>

**e. Long-Term Debt Interest**

Interest expense on long-term debt amounted to \$292,963 for the year ended June 30, 2016, recorded in the general fund.

**f. Premiums, Debt Issuance Costs and Amortization**

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VI. Fund Equity**

**A. Classification**

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

Fund	Reservation Purposes	Balance June 30, 2016
<b>Nonspendable:</b>		
Food Service	Inventory	\$ 14,950
General	Reserve for prepaid expense	\$ 237,139
<b>Restricted:</b>		
General	Reserve for employee benefits	\$ 257,971
	Reserve for unemployment insurance	175,560
	Reserve for retirement system credits	1,164,910
	Reserve for repairs	204,897
	Reserve for tax certiorari	17,851
	Reserve for workers' compensation	695,661
		<u>\$ 2,516,850</u>
Debt Service	Reserve for debt service	\$ 651,873
Fiduciary	Reserve for endowment scholarships	\$ 18,230
<b>Assigned:</b>		
General	Appropriated Fund Balance	\$ 600,000
	Encumbrances	62,030
		<u>\$ 662,030</u>
Food Service	Fund Equity	\$ 188,175
Capital Projects	Fund Equity	\$ 922,258

**B. District-wide Net Assets**

Net assets of the District include restricted net assets of \$3,168,723 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 55 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 a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

**C. Compensated Absences**

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$84,000 as of June 30, 2016 for accumulating non-vesting sick leave.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**VII. Commitments and Contingencies (continued)**

**D. Contingencies**

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

**NOTE 4 – PRIOR PERIOD ADJUSTMENTS**

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follow

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

**NOTE 5 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through October 5, 2016, 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, 2016**

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
<b>Revenues</b>				
<b>Local Sources:</b>				
Real property taxes and tax items	\$ 7,433,954	\$ 7,433,954	\$ 7,403,255	\$ (30,699)
Real property tax items	169,167	169,167	184,993	15,826
Charges for services	122,800	122,800	213,346	90,546
Use of money and property	135,000	135,000	152,324	17,324
Sale of property and compensation for loss	-	-	78	78
Miscellaneous	150,000	168,767	477,303	308,536
<b>State Sources:</b>				
Basic formula	9,197,208	9,197,208	9,229,074	31,866
BOCES	1,730,526	1,730,526	1,612,649	(117,877)
Textbooks	61,571	61,571	61,221	(350)
All other aid	842,340	842,340	901,192	58,852
<b>Federal Sources:</b>				
Medicaid reimbursement	50,000	50,000	72,804	22,804
<b>Total revenue</b>	19,892,566	19,911,333	20,308,239	396,906
<b>Other Sources</b>				
Operating transfer in	15,750	15,750	7,557	(8,193)
<b>Total revenue and other sources</b>	19,908,316	19,927,083	<u>\$ 20,315,796</u>	<u>\$ 388,713</u>
Appropriated fund equity	705,306	728,935		
<b>Total revenue, other sources and appropriated fund equity</b>	<u>\$ 20,613,622</u>	<u>\$ 20,656,018</u>		

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
<b>Expenditures</b>					
<b>General Support:</b>					
Board of education	\$ 17,026	\$ 17,602	\$ 12,322	\$ -	\$ 5,280
Central administration	239,193	239,529	232,898	2,474	4,157
Finance	480,509	481,601	464,927	-	16,674
Staff	46,647	46,372	44,897	-	1,475
Central services	1,653,097	1,656,151	1,450,750	2,217	203,184
Special items	438,144	446,115	446,038	-	77
<b>Instructional:</b>					
Instruction, administration and improvement	414,260	536,030	515,072	-	20,958
Teaching - regular school Programs for children with handicapping conditions	5,334,354	5,182,249	4,861,945	16,282	304,022
Teaching - special schools	3,248,370	3,234,172	2,787,919	375	445,878
Occupational education	110,936	113,550	109,453	-	4,097
Instructional media	861,198	861,198	861,198	-	-
Pupil services	118,798	169,402	125,226	40,640	3,536
Pupil Transportation	501,694	521,395	490,034	-	31,361
Employee Benefits	495,702	498,043	439,076	42	58,925
Debt Service:	4,375,105	4,359,507	4,038,878	-	320,629
Debt service principal	1,806,980	1,821,493	1,821,493	-	-
Debt service interest	302,817	302,817	297,891	-	4,926
<b>Total expenditures</b>	<b>20,444,830</b>	<b>20,487,226</b>	<b>19,000,017</b>	<b>62,030</b>	<b>1,425,179</b>
<b>Other Uses:</b>					
Transfer to other funds	168,792	168,792	1,375,080	-	(1,206,288)
<b>Total other uses</b>	<b>168,792</b>	<b>168,792</b>	<b>1,375,080</b>	<b>-</b>	<b>(1,206,288)</b>
<b>Total expenditures and other uses</b>	<b>\$ 20,613,622</b>	<b>\$ 20,656,018</b>	<b>20,375,097</b>	<b>\$ 62,030</b>	<b>\$ 218,891</b>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>			<b>\$ (59,301)</b>		

**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, 2016**

**Schedule SS1A**

**Page 37**

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
<b>Revenue</b>			
State sources	\$ 22,291	\$ 10,839	\$ (11,452)
Federal sources	251,216	293,465	42,249
Sales	126,904	121,327	(5,577)
Miscellaneous	37,900	1,516	(36,384)
Surplus food	38,435	35,182	(3,253)
Use of money and property	51	70	19
Total revenue	<u>476,797</u>	<u>462,399</u>	<u>(14,398)</u>
<b>Expenditures</b>			
General support	168,546	156,067	12,479
Employee benefits	47,344	53,682	(6,338)
Cost of sales	177,733	179,178	(1,445)
Other expenses	88,659	32,930	55,729
Total expenditures	<u>482,282</u>	<u>421,857</u>	<u>60,425</u>
<b>Excess of revenue over expenditures</b>	(5,485)	40,542	46,027
<b>Other sources (uses)</b>			
Transfer to general fund	(23,156)	(7,387)	15,769
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<u>\$ (28,641)</u>	33,155	<u>\$ 61,796</u>
Fund equity, beginning of year		<u>169,970</u>	
<b>Fund equity, end of year</b>		<u>\$ 203,125</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, 2016**

**Schedule SS2**

**Page 38**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

<b>Adopted budget</b>	\$ 20,613,622
<b>Additions:</b>	
Prior year encumbrances	<u>23,004</u>
<b>Original Budget</b>	20,636,626
<b>Budget Revisions:</b>	
Additional use of fund balance	<u>19,392</u>
<b>Final budget</b>	<u><u>\$ 20,656,018</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

<b>2016-17 voter-approved expenditure budget</b>	<b>\$ 20,384,781</b>
<b>Maximum allowed (4% of 2016-17 budget)</b>	<b>815,391</b>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:</b>	
<b>Unrestricted fund balance:</b>	
Committed fund balance	\$ -
Assigned fund balance	662,030
Unassigned fund balance	<u>1,664,855</u>
Total unrestricted fund balance	<u>2,326,885</u>
<b>Less:</b>	
Appropriated fund balance	600,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>62,030</u>
Total adjustments	<u>662,030</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	<b><u><u>\$ 1,664,855</u></u></b>
<b>Actual percentage</b>	<b><u><u>8.2%</u></u></b>

\* 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, 2016**

**Schedule SS3**

**Page 39**

Project Title	Original Appropriation	Revised Appropriation	Expenditures				Unexpended (Overexpended) Balance	Methods of financing					Fund Balance June 30, 2016	
			Prior Years	Current Year	Transfer to General Fund	Total		Proceeds of Obligations	Local Sources	State Sources	Interfund Transfer	Total		
Bus Garage Lease - current year	\$ 18,792	\$ 18,792	\$ -	\$ 18,792	\$ -	\$ 18,792	\$ -	\$ -	\$ -	\$ -	\$ 18,792	\$ 18,792	\$ -	
Capital Outlay Project - prior year	100,000	100,000	99,830	-	170	100,000	-	-	-	-	100,000	100,000	-	
Capital Outlay Project - current year	100,000	100,000	-	99,802	-	99,802	198	-	-	-	100,000	100,000	198	
Capital Improvement Project 2016	12,400,000	12,400,000	-	147,306	-	147,306	12,252,694	-	-	-	1,212,316	1,212,316	1,065,010	
	<u>\$ 12,618,792</u>	<u>\$ 12,618,792</u>	<u>\$ 99,830</u>	<u>\$ 265,900</u>	<u>\$ 170</u>	<u>\$ 365,900</u>	<u>\$ 12,252,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,431,108</u>	<u>\$ 1,431,108</u>	<u>1,065,208</u>	
													Less: Bond Anticipation Notes	(142,950)
													Assigned fund equity as of June 30, 2016	<u>\$ 922,258</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, 2016**

**Schedule SS4A**

**Page 40**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school *	N/A	2016	N/A	\$ 161,922	\$ 161,922
Universal Pre-kindergarten	0409-16-7179	2016	\$ 164,736	134,245	134,245
Universal Pre-kindergarten	0409-15-7179	2015	160,663	38,263	38,263
School lunch programs	N/A	2016	N/A	8,434	8,434
School breakfast programs	N/A	2016	N/A	2,405	2,405
				<u>\$ 345,269</u>	<u>\$ 345,269</u>

\* Revenue includes transfer from the general fund in the amount of \$43,972 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, 2016**

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**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, 2016, the District reported in the Schedule of Federal Awards \$35,182 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, 2016**

**Schedule SS4C**

**Page 41**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
<b>U.S. Department of Education:</b>					
<b><i>Passed through NYS</i></b>					
<b><i>Department of Education:</i></b>					
Title I	84.010A	0021-16-2860	\$ 306,154	\$ 302,020	\$ 302,020
Title I	84.010A	0021-15-2860	4,799	4,799	4,799
Title II, Part A	84.367A	0147-16-2860	46,142	46,142	46,142
IDEA Part B, Section 611 **	84.027A	0032-16-0858	240,844	239,662	239,662
IDEA Part B, Section 619 **	84.173A	0033-16-0858	5,173	5,173	5,173
Total U.S. Department of Education				<u>597,796</u>	<u>597,796</u>
<b>U.S. Department of Agriculture:</b>					
<b><i>Passed through NYS</i></b>					
<b><i>Department of Education:</i></b>					
National School Breakfast Program ***	10.553	N/A	N/A	45,303	45,303
National School Lunch Program ***	10.555	N/A	N/A	248,162	248,162
<b><i>Passed through NYS</i></b>					
<b><i>Office of General Services:</i></b>					
National School Lunch Program					
Noncash assistance (Donated Commodities) ***	10.555	N/A	N/A	35,182	35,182
Total U.S. Department of Agriculture				<u>328,647</u>	<u>328,647</u>
Total expenditures and revenue				<u>\$ 926,443</u>	<u>\$ 926,443</u>

\*\* Constitutes a cluster of Federal programs named Special Education Cluster, with total revenue and expenditures of \$ 244,835

\*\*\* Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 328,647

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF MAJOR FEDERAL PROGRAMS TESTED**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule SS4D**

**Page 42**

Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 926,443</u>
<b>Major Programs Tested:</b>		
IDEA Part B, Section 611 **	84.027A	\$ 239,662
IDEA Part B, Section 619 **	84.173A	5,173
National School Breakfast Program ***	10.553	45,303
National School Lunch Program		
Cash Assistance***	10.555	248,162
Non-Cash Assistance (commodities)***	10.555	<u>35,182</u>
Total major programs tested		<u>\$ 573,482</u>
% of Federal programs tested		<u>62%</u>

\*\* Constitutes a cluster of Federal programs

\*\*\* Constitutes a cluster of Federal programs

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES**  
**COMPARED TO ST-3 DATA – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule SS5**

**Page 43**

	Account Code	ST-3 Amount	Audited Amount
<b>Revenues</b>			
Property taxes	A-1001	\$ 7,588,248	\$ 7,588,248
State aid	AT-3999	11,804,136	11,804,136
Federal aid	AT-4999	72,804	72,804
Total revenue	AT-5999	20,315,796	20,315,796
<b>Expenditures</b>			
General support	AT-1999	2,651,832	2,651,832
Pupil transportation	AT-5599	439,076	439,076
Debt service - principal	AT-9798.6	1,821,493	1,821,493
Debt service - interest	AT-9798.7	297,891	297,891
Total expenditures	AT-9999	\$ 20,375,097	\$ 20,375,097

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS**  
**AS OF JUNE 30, 2016**

**Schedule SS6**

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Capital Assets	\$ 22,434,829
Less:	
Serial bonds - capital and transportation related	(6,895,000)
Capital leases	
Bond anticipation notes	(142,950)
Plus:	
Assets in capital projects fund, net of related payables	<u>1,065,208</u>
Net investment in capital assets	<u>\$ 16,462,087</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE YEARS ENDED JUNE 30, 2016, 2015, 2014, 2013 AND 2011**

**Schedule SS7**

**Page 45**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
June 30, 2016	\$ -	\$ 21,189,929	\$ 21,189,929	0%	\$ 6,900,000	307.1%
June 30, 2015	\$ -	\$ 20,289,043	\$ 20,289,043	0%	\$ 6,821,380	297.4%
June 30, 2014	\$ -	\$ 20,304,951	\$ 20,304,951	0%	\$ 6,798,912	298.7%
June 30, 2013	\$ -	\$ 19,693,900	\$ 19,693,900	0%	\$ 6,728,431	292.7%
June 30, 2012	\$ -	\$ 23,715,947	\$ 23,715,947	0%	\$ 6,692,766	354.4%
June 30, 2011	\$ -	\$ 22,766,699	\$ 22,766,699	0%	\$ 6,688,270	340.4%

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS**  
**FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 20, 2016**

**New York State Teachers' Retirement System**

For the year ended June 30,	2016	2015	2014	2013
Contractually required contributions	\$ 871,949	\$ 1,048,977	\$ 951,690	\$ 595,182
Contributions in relation to the contractually required contribution	(871,949)	(1,048,977)	(951,690)	(595,182)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,575,784	\$ 5,983,896	\$ 5,856,554	\$ 5,026,875
Contributions as a percentage of District's covered-employee payroll	13.26%	17.53%	16.25%	11.84%

**New York State Local Employees' Retirement System**

For the year ended March 31,	2016	2015	2014	2013
Contractually required contributions	\$ 206,191	\$ 254,613	\$ 268,120	\$ 247,401
Contributions in relation to the contractually required contribution	(206,191)	(254,613)	(268,120)	(247,401)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,245,606	\$ 1,347,159	\$ 1,368,655	\$ 1,421,708
Contributions as a percentage of District's covered-employee payroll	16.55%	18.90%	19.59%	17.40%

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE**  
**NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF**  
**NET PENSION LIABILITY –NYSLERS**  
**FOR THE YEARS ENDED JUNE 30,2013 THROUGH JUNE 30, 2016**

**Schedule SS9**

**Page 47**

***New York State Teachers' Retirement System - Net Pension Asset***

As of the measurement date of June 30,	2016	2015	2014	2013
District's proportion of the net pension asset	n/a	0.039836%	0.039648%	0.038460%
District's proportionate share of the net pension asset	n/a	\$ 4,137,682	\$ 4,416,486	\$ 253,162
District's covered-employee payroll	n/a	\$ 5,983,896	\$ 5,856,554	\$ 5,026,875
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	n/a	69.15%	75.41%	5.04%
Plan fiduciary net position as a percentage of the total pension liability	n/a	110.46%	111.48%	100.70%

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

As of the measurement date of March 31,	2016	2015	2014	2013
District's proportion of the net pension liability	0.0048247%	0.0053844%	n/a	n/a
District's proportionate share of the net pension liability	\$ 774,385	\$ 181,897	\$ 243,313	n/a
District's covered-employee payroll	\$ 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	62.17%	13.50%	17.78%	n/a
Plan fiduciary net position as a percentage of the total pension liability	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, 2016, 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 5, 2016.

***Internal Control Over Financial Reporting***

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2016-001 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Elmira Heights Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2016-002.

### **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.

### **Other Matters**

We noted other matters that we have reported to management of *Elmira Heights Central School District* in a separate letter dated October 5, 2016.

### **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 5, 2016**

**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, 2016. *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, 2016.

**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.

We noted other matters that we have reported to management of [Elmira Heights Central School District](#) in a separate letter dated October 5, 2016.

**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 5, 2016**

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Elmira Heights Central School District*.
2. One deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This condition is reported as a significant deficiency and is described in the accompanying schedule of findings and questioned costs as item II.A.2016-001.
3. There was one instance of noncompliance material to the financial statements of *Elmira Heights Central School District* reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards". This instance of noncompliance is reported in the schedule of findings and questioned costs as item II.B.2016-002.
4. There were no deficiencies relating to the audit of the major federal assistance programs of the *Elmira Heights Central School District* as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal assistance programs for the *Elmira Heights Central School District* expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
IDEA Part B, Section 611 **	84.027A	Type B	\$ 239,662
IDEA Part B, Section 619 **	84.173A	Type B	5,173
National School Lunch ***	10.555	Type B	248,162
National School Breakfast ***	10.553	Type B	45,303
National School Lunch - Donated Commodities ***	10.555	Type B	35,182
Total tested			\$ 573,482
Percentage of total programs tested			62%

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

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. *Elmira Heights Central School District* does not qualify as a low-risk auditee.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**II. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2016-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year ended June 30, 2016**

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

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

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

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

**Year ended June 30, 2015**

There was a similar internal control finding reported upon during the fiscal year ended June 30, 2015.

**B. COMPLIANCE AND OTHER MATTERS**

**2016-002 Unassigned Fund Balance**

**Year ended June 30, 2016**

*Conditions and criteria:* **Elmira Heights Central School District's** unassigned fund balance as of June 30, 2016 amounted to \$1,664,855. This amount constitutes approximately 8.2% of the 2016-2017 school budget.

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

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

*School District's Response:* **Elmira Heights Central School District** realizes that its unassigned fund balance as of June 30, 2016 was in excess of the NYS mandated 4% level. The District has and will continue to review its options with regard to reservation and designation of fund balance.

**Year ended June 30, 2015**

There was a similar compliance finding reported upon during the fiscal year ended June 30, 2015.

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**A. COMPLIANCE**

**Year ended June 30, 2016**

There are no findings related to compliance being reported upon during the fiscal year ended June 30, 2016.

**Year ended June 30, 2015**

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

**B. INTERNAL CONTROL OVER COMPLIANCE**

**Year ended June 30, 2016**

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2016.

**Year ended June 30, 2015**

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



**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, 2016 of the District's financial statements and have issued our reports thereon dated October 5, 2016. 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, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2012 through June 30, 2016. 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 5, 2016**

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

	06/30/16	06/30/15	06/30/14	06/30/13	06/30/12
<b>Revenue and other sources</b>					
Property taxes	\$ 7,588	\$ 7,629	\$ 7,526	\$ 7,103	\$ 6,899
State aid	11,804	11,361	10,816	11,184	9,779
All other	924	1,032	1,063	781	769
	<u>20,316</u>	<u>20,022</u>	<u>19,405</u>	<u>19,068</u>	<u>17,447</u>
<b>Expenditures and other uses</b>					
General support	2,652	2,673	2,480	2,464	2,486
Instruction	9,751	9,698	9,332	9,096	8,952
Transportation	439	410	493	444	440
Benefits	4,039	3,976	3,881	4,124	3,734
Debt	2,119	2,180	2,896	2,869	2,818
Transfers	1,375	184	73	71	64
	<u>20,375</u>	<u>19,121</u>	<u>19,155</u>	<u>19,068</u>	<u>18,494</u>
<b>Excess (deficiency) of revenue over expenditures</b>	(59)	901	250	0	(1,047)
<b>Fund equity</b>					
Beginning of year	5,140	4,239	3,989	3,989	5,036
End of year	<u>\$ 5,081</u>	<u>\$ 5,140</u>	<u>\$ 4,239</u>	<u>\$ 3,989</u>	<u>\$ 3,989</u>
<b>Analysis of fund equity</b>					
Nonspendable	\$ 237	\$ 0	\$ 5	\$ -	\$ 220
Restricted					
Reserve for repairs	205	205	204	204	204
Reserve for retirement system credits	1,165	1,014	813	736	1,040
Reserve for tax certiorari	18	18	18	202	273
Reserve for employee benefits	258	258	257	257	241
Reserve for unemployment insurance	176	175	175	200	225
Reserve for workers' compensation	696	596	395	172	256
Reserve for capital	-	1,211	810	807	807
Assigned					
Reserve for encumbrances	62	23	34	43	72
Next year's budget	600	705	600	600	528
Unassigned	1,663	935	928	768	123
	<u>\$ 5,081</u>	<u>\$ 5,140</u>	<u>\$ 4,239</u>	<u>\$ 3,989</u>	<u>\$ 3,989</u>

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Equipment and Inventory**

The District reports approximately \$22 million of capital assets. The most significant dollar amount of these assets consist of the District buildings and capital improvements that are not as susceptible to the risk of loss or misuse. Assets that are more susceptible to such risk include equipment and inventory items. It is extremely important for the District to be aware of the risks associated with these assets and have processes in place to safeguard against their loss or misuse. Internal controls that the District may consider include the following:

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

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

**Fund Balance Reserves**

As of June 30, 2016, 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.

During the current year, the District increased its workers' compensation reserve by \$100,000. Because the District participates in a self-funded consortium trust, it should consider the reserve levels maintained by the trust when determining an appropriate amount to be maintained in the workers' compensation reserve.

***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.***

**Free and Reduced Meals**

As part of our audit, we reviewed the District's process for completion of the school lunch applications as required by Federal Guidelines and selected a sample of applications to determine whether information reported on family applications were being properly applied. In one instance we noted where a student was classified as direct certified but was not located on the most up to date certification listing maintained by the District. We recommend that District designate an individual independent of the verification process to review the documentation received for accuracy, completeness and timeliness. This review process should be documented.

***District response: The District will review the current procedures with respect to the school lunch applications.***

**Summer School State Aid Receivable**

The District current has a small receivable balance related to its summer school program related to the years ended June 30, 2012 through 2014. We recommend that the District review these amounts as to their collectability. If it is deemed that the amounts will not be received in future years, the amounts should be written off.

***District response: The District will review the receivables related to the summer school program.***

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**GASB 75- Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions Plans – an amendment of GASB Statement No. 45. Statement No. 75 which will be effective for the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

The new accounting standard will require the District to report its actuarial accrued liability related to OPEB in the statement of net position within the government-wide financial statements. Although the majority of this information is currently presented within the District's financial statement disclosures, the OPEB liability within the statement of net position is only a portion of total actuarial accrued liability, as the current accounting standard for OPEB, GASB 45, allows governmental entities to amortize the liability over a period of up to thirty years. We recommend that the District begin to educate its users of the financial statements, as to the impact of this change in future years.

***District response: The District will begin to educate its users on the impact this new standard will have on its financial reporting in the future.***

**Uniform guidance**

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

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

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

***ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT***

***EXTRACLASSROOM ACTIVITY FUND  
FINANCIAL STATEMENT***

***FOR THE FISCAL YEAR ENDED JUNE 30, 2016***

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the *Elmira Heights Central School District* for the year ended June 30, 2016, 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, 2016 on the basis of accounting described in Note 1.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
October 5, 2016**

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL STATEMENT ON EXTRACLASSROOM ACTIVITY FUND**  
**JULY 1, 2015 THROUGH JUNE 30, 2016**

	Balances July 01, 2015	Total Receipts 2015-16	Total Receipts & Balances	Total Payments 2015-16	Balances June 30, 2016
Class of 2014	\$ 6,555	\$ 249	\$ 6,804	\$ 599	\$ 6,205
Class of 2015	2,527	-	2,527	2,527	-
Class of 2016	15,291	22,559	37,850	37,850	-
Class of 2017	3,421	23,471	26,892	16,273	10,619
Class of 2018	2,545	4,768	7,313	3,016	4,297
Class of 2019	-	3,268	3,268	2,119	1,149
Class of 2020	-	2,000	2,000	-	2,000
Builders' Club	766	1,660	2,426	1,356	1,070
Eighth Grade Class	498	8,788	9,286	8,736	550
Key Club	1,247	768	2,015	1,049	966
Medieval Festival Club	906	-	906	906	-
Middle School Store	1,913	100	2,013	1,000	1,013
Middle School Council	1,139	4,481	5,620	3,476	2,144
Middle School Yearbook	623	2,178	2,801	2,039	762
Sales Tax	666	3,220	3,886	2,958	928
Seventh Grade Class	284	5,744	6,028	5,939	89
Student Council	2,979	13,002	15,981	12,145	3,836
Student Council Savings	18,474	6	18,480	9,901	8,579
TAE Art Club	122	-	122	-	122
TAE Band Club	1,462	-	1,462	300	1,162
TAE Yearbook	-	3,124	3,124	3,124	-
TAE Spartan Coffee Corner	945	1,443	2,388	615	1,773
Total activity fund	<u>\$ 62,363</u>	<u>\$ 100,829</u>	<u>\$ 163,192</u>	<u>\$ 115,928</u>	<u>\$ 47,264</u>



**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
NOTE TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Elmira Heights Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$47,264 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

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

**ELMIRA HEIGHTS CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
SUMMARY OF ADDITIONAL COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**Timely Deposits**

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

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

**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.***