

**WATKINS GLEN
CENTRAL SCHOOL DISTRICT**

FINANCIAL REPORT

June 30, 2017

WATKINS GLEN CENTRAL SCHOOL DISTRICT

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WATKINS GLEN CENTRAL SCHOOL DISTRICT

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2017, the School District adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." Our opinion is not modified with respect to this matter.

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 schedules, Schedule of Funding Progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and the related notes to required supplementary information on pages 4-4j and 47-55 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 School District's basic financial statements. The supplementary information on pages 56-58 is presented for purposes of additional analysis and is 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 for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 18, 2017

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of Watkins Glen Central School District's (the School District) financial performance for the fiscal year ended June 30, 2017. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-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. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District ended the year with a net position of \$21,615,638, an increase of \$2,457,710 from a net position of \$19,157,928 at the end of the prior year. The increase is primarily attributable to increased operating and state grants and property taxes and decreased expenses.
- The School District received an updated actuarial valuation of its net pension (asset) and liability in accordance with the adoption of Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." As a result, the School District has recorded a liability in the amount of \$1,317,928. See Note 10 for more detailed information.
- During the year ended June 30, 2017, the School District received an actuarial valuation of its retiree medical insurance liability in accordance with the adoption of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's annual other postemployment benefit (OPEB) expense for the current year was \$2,466,553. However, the School District's expected employer contribution was \$748,800 for the current fiscal year, resulting in an increase in the net OPEB obligation of \$1,717,753. The School District's accumulated liability in the Statement of Net Position totals \$14,774,974 at June 30, 2017.
- The overall indebtedness of the School District at June 30, 2017, in the amount of \$27,773,338, decreased \$(4,614,353) from \$32,387,691 in 2016. This decrease was primarily the result of the repayment on BANs during the year.
- Unassigned fund balance in the General Fund showed a slight increase in 2017, from \$1,051,567 to \$1,059,934. Total fund balance in General Fund, including reserves, was \$4,404,727 at June 30, 2017, which reflects a decrease of \$(791,140) from fund balance of \$5,195,867 at June 30, 2016.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits, and Schedules of School District Contributions and the School District's Proportionate Share of the Net Pension (Asset) Liability.

District-wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the School District's net position and how it has changed. Net Position - the difference between the School District's assets and deferred outflows of resources, and the School District's liabilities and deferred inflows of resources - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors, such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Governmental Fund Financial Statements

The Governmental Fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "Major" Funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for fiscal year ended June 30, 2017 increased by \$2,457,710. Our following analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Current assets</i>	\$ 3,646,551	\$ 4,978,751	\$ 1,332,200
<i>Noncurrent assets</i>	10,947,194	4,691,585	(6,255,609)
<i>Capital assets, net</i>	52,879,752	51,576,565	(1,303,187)
<i>Total Assets</i>	\$ 67,473,497	\$ 61,246,901	\$ (6,226,596)
<i>Pensions</i>	2,206,742	5,947,310	3,740,568
<i>Deferred charges on defeased debt</i>	289,138	192,758	(96,380)
<i>Total Deferred Outflows of Resources</i>	\$ 2,495,880	\$ 6,140,068	\$ 3,644,188
<i>Current liabilities</i>	27,311,480	5,816,721	(21,494,759)
<i>Noncurrent liabilities</i>	21,371,395	39,577,070	18,205,675
<i>Total Liabilities</i>	\$ 48,682,875	\$ 45,393,791	\$ (3,289,084)
<i>Pensions</i>	2,128,574	377,540	(1,751,034)
<i>Total Deferred Inflows of Resources</i>	\$ 2,128,574	\$ 377,540	\$ (1,751,034)
<i>Net investment in capital assets</i>	21,200,912	24,336,767	3,135,855
<i>Restricted</i>	5,047,916	6,169,562	1,121,646
<i>Unrestricted</i>	(7,090,900)	(8,890,691)	(1,799,791)
<i>Total Net Position</i>	\$ 19,157,928	\$ 21,615,638	\$ 2,457,710

The increase in current assets is mainly the result of an increase in cash, primarily due to an increase in unspent bond proceeds. The decrease in noncurrent assets is mainly due to a large decrease in the TRS net pension (asset) combined with a decrease in noncurrent restricted cash. The decrease in net capital assets is due to depreciation expense exceeding additions in the current year.

Deferred outflows of resources increased due to the requirement to recognize ERS and TRS pension plan activity, offset by a decrease in deferred charges on defeased debt.

The decrease in current liabilities is mainly the result of decreased BANs payable and accrued interest. The increase in noncurrent liabilities is due to a new serial bond, in addition to an increase in other postemployment benefits liability.

Deferred inflows of resources decreased due to the requirement to recognize ERS and TRS pension plan activity.

Some of the unrestricted net (deficit) has been designated by the Board to meet the future needs of the School District. \$435,000 has been designated to balance the 2017-2018 budget.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The net effect of the School District's activities resulted in an unrestricted net (deficit) of \$(8,890,691) at June 30, 2017 compared to the amount of \$(7,090,900) at June 30, 2016. Net position showed an overall increase of \$2,457,710 or 12.8%.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 338,223	\$ 276,351	\$ (61,872)
<i>Operating grants and contributions</i>	2,355,655	2,513,717	158,062
<i>Capital grants</i>	-	83,227	83,227
<i>General Revenues:</i>			
<i>Real Property taxes</i>	8,010,409	8,273,093	262,684
<i>Real property tax items</i>	1,399,478	1,425,535	26,057
<i>State sources</i>	15,044,995	15,783,424	738,429
<i>Use of money and property</i>	51,876	62,709	10,833
<i>Other general revenues</i>	161,227	450,662	289,435
Total Revenues	\$ 27,361,863	\$ 28,868,718	\$ 1,506,855
PROGRAM EXPENSES			
<i>General support</i>	\$ 3,318,472	\$ 3,978,716	\$ 660,244
<i>Instruction</i>	18,135,758	19,323,797	1,188,039
<i>Pupil transportation</i>	1,942,386	2,123,261	180,875
<i>Community service</i>	34,141	52,169	18,028
<i>School lunch program</i>	439,126	409,644	(29,482)
<i>Library program</i>	179,965	196,141	16,176
<i>Interest on debt</i>	597,954	327,280	(270,674)
Total Expenses	\$ 24,647,802	\$ 26,411,008	\$ 1,763,206
INCREASE IN NET POSITION	\$ 2,714,061	\$ 2,457,710	\$ (256,351)

Total revenues for the School District's Governmental Activities increased by \$1,506,855 or 5.5%. A tax levy increase for the 2016-2017 year resulted in an increase in real property tax revenues in the amount of \$262,684 or 3.3%. Unrestricted State sources increased \$738,429 due to increased basic aid. Other general revenues increased by \$289,435, primarily due to more refunds in the current year for BOCES services.

Total expenses of the School District's Governmental Activities increased \$1,763,206 or 7.2%.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

Figure 3

Sources of Revenue for 2017

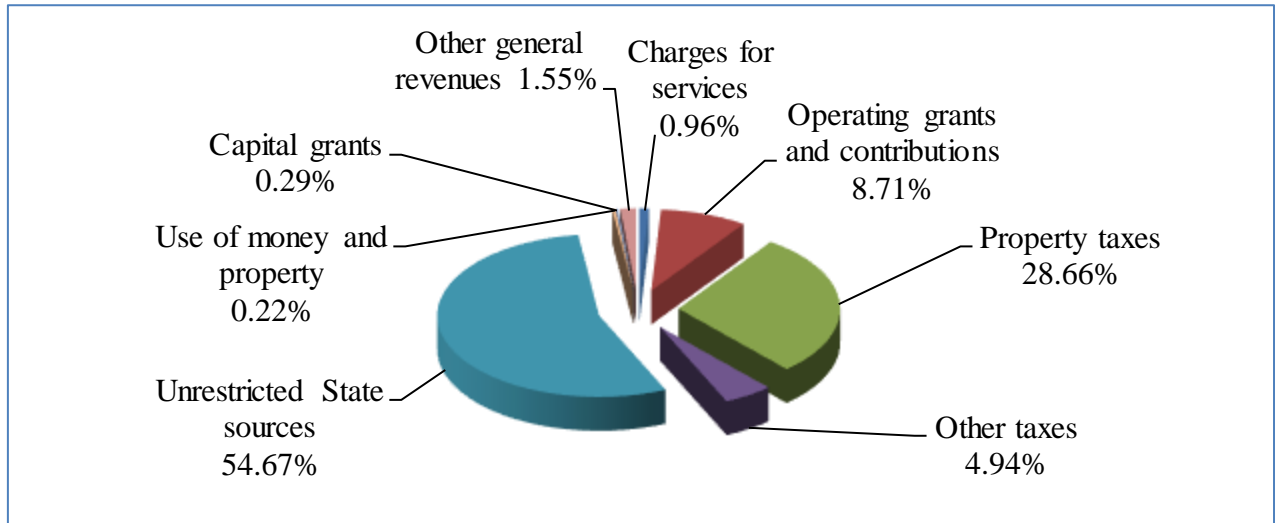
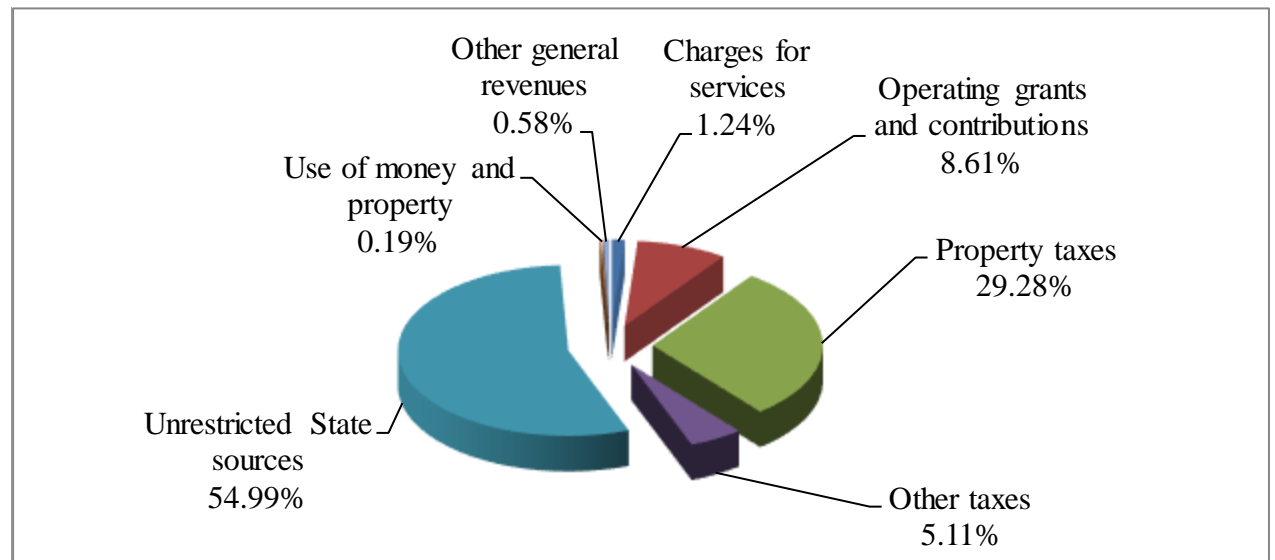


Figure 4

Sources of Revenue for 2016



WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figures 5 and 6 present the cost for each of the School District's programs for 2017 and 2016.

Figure 5

Cost of Programs for 2017

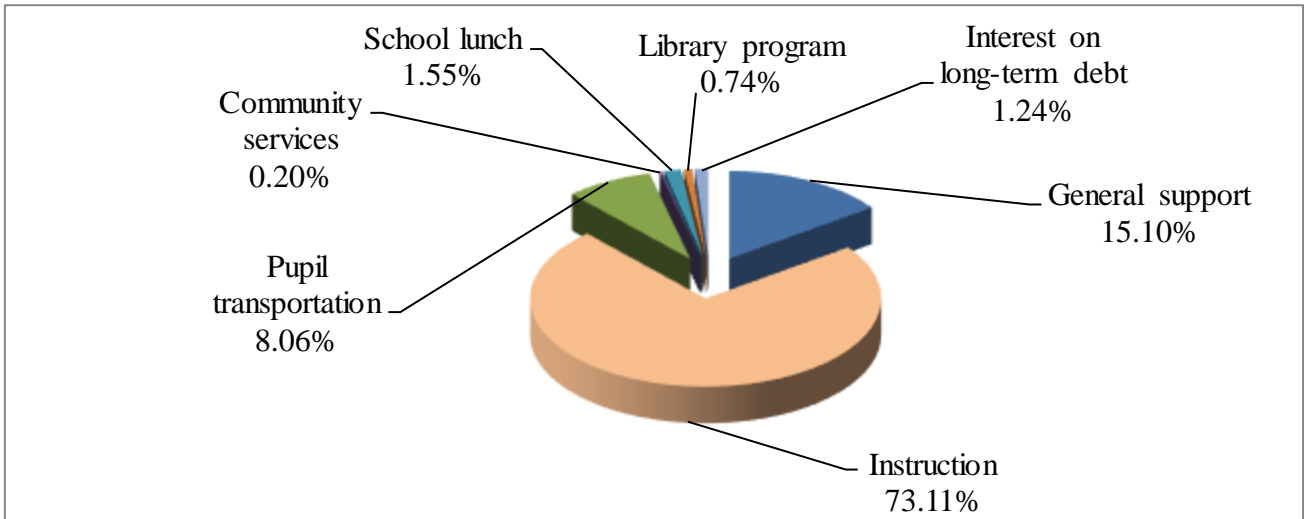
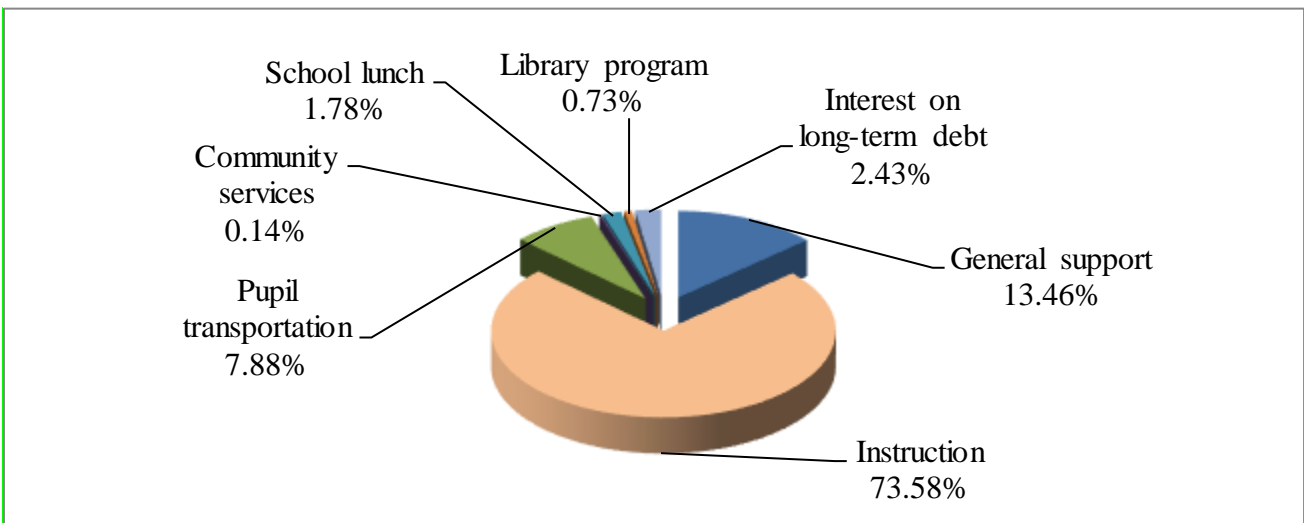


Figure 6

Cost of Programs for 2016



WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the School District's funds for the year. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$8,193,525, which is above last year's total of \$(14,690,802).

Figure 7

<i>Governmental Fund Balances</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 5,195,867	\$ 4,404,727	\$ (791,140)
<i>School Lunch Fund</i>	71,358	127,598	56,240
<i>Debt Service Fund</i>	1,885,572	1,889,806	4,234
<i>Capital Funds</i>	(21,875,287)	1,720,693	23,595,980
<i>Public Library Fund</i>	31,688	50,701	19,013
<i>Total Governmental Funds</i>	\$ (14,690,802)	\$ 8,193,525	\$ 22,884,327

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Education President approves budgetary transfers of \$5,000 or more that revise the School District budget line items. These budget amendments consisted of budget transfers between functions, and the appropriation of unbudgeted revenue and reserves, which increased the overall budget for the year ended June 30, 2017.

Revenues and other financing sources were \$55,319 or .21% above budgetary estimates. Expenditures and financing uses were below the revised budget by \$998,404 or 3.6%.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the year ended June 30, 2017.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 9,231,806	\$ 8,142,443	\$ 8,142,443	\$ -
<i>Other tax items</i>	260,000	1,425,536	1,425,535	(1)
<i>State sources</i>	16,001,619	15,901,949	15,912,687	10,738
<i>Other revenue</i>	308,116	599,271	643,853	44,582
<i>Other financing sources</i>	258,473	-	-	-
Total Revenues and Other Financing Sources	26,060,014	26,069,199	26,124,518	55,319
Appropriated Fund Balances, Reserves and Encumbrances				
	569,121	1,969,121		
EXPENDITURES				
<i>General support</i>	\$ 3,228,095	3,646,471	\$ 3,241,862	404,609
<i>Instruction</i>	11,546,772	11,199,411	10,759,767	439,644
<i>Pupil transportation</i>	1,150,398	1,161,216	1,066,349	94,867
<i>Community service</i>	4,150	4,150	526	3,624
<i>Employee benefits</i>	5,782,167	5,378,433	5,356,364	22,069
<i>Debt service</i>	4,875,553	5,206,639	5,206,639	-
<i>Other financing uses</i>	42,000	1,442,000	1,408,409	33,591
Total Expenditures and Other Financing (Uses)	\$ 26,629,135	\$ 28,038,320	\$ 27,039,916	\$ 998,404

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the School District had invested in a broad range of capital assets. This amount represents a net decrease (including additions, disposals and accumulated depreciation) of \$(1,303,187), or 2.5% from last year.

Figure 9

<i>Changes in Capital Assets</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>Land</i>	\$ 264,500	\$ 264,500	\$ -
<i>Construction in progress</i>	-	182,247	182,247
<i>Buildings and improvements, net</i>	51,317,423	49,738,851	(1,578,572)
<i>Equipment, net</i>	1,297,829	1,390,967	93,138
Total	\$ 52,879,752	\$ 51,576,565	\$ (1,303,187)

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Capital asset activity for the year ended June 30, 2017 included the following:

Construction in progress	\$ 182,247
Buses	318,849
Equipment	94,761
Total additions	595,857
Less net book value of disposed equipment	(1,395)
Less depreciation expense	(1,897,649)
Net Decrease in Capital Assets	\$ (1,303,187)

The School District incurred expenses associated with a planned \$24.6 million project in accordance with its long range renovation plan. Construction began during fiscal year 2013.

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(4,614,353) in 2017, as shown in *Figure 10*. This decrease was primarily due to debt payments. Total indebtedness represented approximately 35.39% of the School District's constitutional debt limit, exclusive of building aid estimates.

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016-2017</i>
<i>Bond anticipation notes</i>	\$ 22,520,183	\$ -	\$ (22,520,183)
<i>Serial bonds</i>	9,867,508	27,773,338	17,905,830
<i>Total</i>	\$ 32,387,691	\$ 27,773,338	\$ (4,614,353)

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's Bond Rating was reviewed by Standard and Poor's within the past year and assigned a rating of A+/Stable.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Because of the sizeable tax base for a rural School District, the School District continues to experience one of the lowest tax rates in the region. The tax base, combined with a county-wide program which is committed to maintaining townships within the School District's boundaries at 100% equalization, helps to mitigate the impact for tax payers. For the fiscal year 2017-2018, it is estimated that the taxable assessed valuations will increase by \$35.8 million, resulting in an average tax rate of \$11.66 per thousand which is a decrease of 18 cents over prior year's tax rate.
- The Board of Education increased the Employee Benefits Accrued Liability Reserve at yearend 2017 in anticipation of paying for costs related to employee separation at retirement from the School District. There also exists a healthy Debt Service Fund which will be used to assist with debt payments in future years.
- The tax payers of the School District recently approved a \$12.6 million Construction Project which plans for the future needs while preserving the past. The project replaces roofs of buildings, updates the Elementary School original building footprint while addressing some needs at the High School, including the installation of turf fields for stadium, baseball and softball fields.
- Student achievement is stable. Each of the two buildings in the School District is stated by New York State Education Department to once again be in Good Standing. The School District has made a concentrated effort to bring innovative technology to students and has embraced a STEM approach which incorporates Science, Technology, Engineering and Math across the Curriculum. The High School has a focus on the Academy Model which involves collaboration across the curriculum while implementing the common core. The Elementary School level has also adopted the common core across the curriculum. Each building has developed skills matrices by grade level. A primary goal of the School District is striving to attain excellence in all areas, pertaining to both program and fiscal matters.
- Enrollment appears to be stable and with new housing and business development on the horizon, it seems possible the School District's enrollment could increase.
- The region's unemployment levels have decreased and it is anticipated that 2017-2018 will continue to be a year of employment stability.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Thomas Phillips, Superintendent of Schools, or Mrs. Gayle Sedlack, Business Manager, at 303 12th Street, Watkins Glen, New York 14891. In addition, the School District has a website (wgcsd.org), where more information about the School District can be found.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

ASSETS	
Current Assets	
Cash - Unrestricted	\$ <u>3,530,925</u>
Cash - Restricted	<u>431,919</u>
Receivables:	
State and federal aid	<u>898,829</u>
Other	<u>87,512</u>
Inventories	<u>29,566</u>
Total Current Assets	<u>4,978,751</u>
Noncurrent Assets	
Restricted cash	<u>4,691,585</u>
Capital assets, net:	
Land and construction in progress	<u>446,747</u>
Depreciable capital assets, net	<u>51,129,818</u>
Total Noncurrent Assets	<u>56,268,150</u>
Total Assets	<u>61,246,901</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunded debt	<u>192,758</u>
Pensions	<u>5,947,310</u>
Total Deferred Outflows of Resources	<u>6,140,068</u>
LIABILITIES	
Current Liabilities	
Payables:	
Accounts payable	<u>134,021</u>
Accrued liabilities	<u>29,977</u>
Due to other governments	<u>138,196</u>
Bond interest and matured bonds	<u>50,740</u>
Due to Teachers' Retirement System	<u>995,505</u>
Due to Employees' Retirement System	<u>84,578</u>
Compensated absences payable	<u>48,562</u>
Unearned revenues	<u>45,972</u>
Current portion of long-term obligations:	
Bonds payable	<u>4,289,170</u>
Total Current Liabilities	<u>5,816,721</u>
Noncurrent Liabilities and Obligations	
Bonds payable	<u>23,484,168</u>
Other postemployment benefit liabilities	<u>14,774,974</u>
Net pension liability - proportionate share	<u>1,317,928</u>
Total Noncurrent Liabilities and Obligations	<u>39,577,070</u>
Total Liabilities	<u>45,393,791</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>377,540</u>
NET POSITION	
Net investment in capital assets	<u>24,336,767</u>
Restricted	<u>6,169,562</u>
Unrestricted (deficit)	<u>(8,890,691)</u>
Total Net Position	<u>\$ <u>21,615,638</u></u>

See Independent Auditor's Report and Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General support	\$ 3,978,716	\$	\$	\$	\$ (3,978,716)
Instruction	19,323,797	162,872	2,143,025	83,227	(16,934,673)
Pupil transportation	2,123,261				(2,123,261)
Community services	52,169				(52,169)
School lunch program	409,644	109,809	333,867		34,032
Library program	196,141	3,670	36,825		(155,646)
Interest on debt	327,280				(327,280)
Total Functions and Programs	\$ 26,411,008	\$ 276,351	\$ 2,513,717	\$ 83,227	(23,537,713)

GENERAL REVENUES

Real property taxes	8,273,093
Real property tax items	1,425,535
Use of money and property	62,709
State sources	15,783,424
Sale of property and compensation for loss	30,762
Miscellaneous	419,900

Total General Revenues 25,995,423

Change in Net Position 2,457,710

Total Net Position - Beginning of Year 19,157,928

Total Net Position - End of Year **\$ 21,615,638**

See Independent Auditor's Report and Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 2,152,923	\$ 35,888	\$
Cash - Restricted	2,785,535		91,103
Due from other funds	1,181,326		
State and federal aid	259,717	532,422	23,463
Other receivables	27,398	60,090	24
Inventories			29,566
Total Assets	\$ 6,406,899	\$ 628,400	\$ 144,156
LIABILITIES			
Payables			
Accounts payable	\$ 120,858	\$ 695	\$ 1,823
Accrued liabilities	20,361	6,115	3,139
Due to other funds	594,325	575,618	11,383
Due to other governments	137,983		213
Due to Teachers' Retirement System	995,505		
Due to Employees' Retirement System	84,578		
Compensated absences payable	48,562		
Unearned revenues		45,972	
Total Liabilities	2,002,172	628,400	16,558
Nonspendable			29,566
Restricted	2,785,535		98,032
Assigned	559,258		
Unassigned	1,059,934		
Total Fund Balances	4,404,727	-	127,598
Total Liabilities and Fund Balances	\$ 6,406,899	\$ 628,400	\$ 144,156

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		Non-Major Fund	Total Governmental Funds
Debt Service Fund	Capital Projects Fund	Public Library Fund	
\$	\$ 1,307,329	34,785	\$ 3,530,925
1,889,772	340,816	16,278	5,123,504
34			1,181,360
	83,227		898,829
			87,512
			29,566
\$ 1,889,806	\$ 1,731,372	\$ 51,063	\$ 10,851,696
	10,645		\$ 134,021
		362	29,977
	34		1,181,360
			138,196
			995,505
			84,578
			48,562
			45,972
-	10,679	362	2,658,171
			29,566
1,889,806	1,720,693	16,278	6,510,344
		34,423	593,681
			1,059,934
1,889,806	1,720,693	50,701	8,193,525
\$ 1,889,806	\$ 1,731,372	\$ 51,063	\$ 10,851,696

WATKINS GLEN CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Fund Balance - Total Governmental Funds **\$ 8,193,525**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 73,061,335	
Less accumulated depreciation	<u>(21,484,770)</u>	51,576,565

The School District's proportionate share of the collective net pension (asset) or liability is not reported in the funds.

TRS net pension liability - Proportionate share	\$ (558,745)	
ERS net pension liability - Proportionate share	<u>(759,183)</u>	(1,317,928)

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt	\$ 192,758	
TRS deferred inflows - Pension	(254,808)	
ERS deferred inflows - Pension	(122,732)	
TRS deferred outflows - Pension	5,419,941	
ERS deferred outflows - Pension	<u>527,369</u>	5,762,528

Long-term liabilities, including bonds payable and other postemployment benefit liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (27,773,338)	
Other postemployment benefit liabilities	<u>(14,774,974)</u>	(42,548,312)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued interest on long-term debt		<u>(50,740)</u>
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Net Position of Governmental Activities **\$ 21,615,638**

See Independent Auditor's Report and Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 8,142,443	\$ _____	\$ _____
Real property tax items	1,425,535	_____	_____
Charges for services	104,289	_____	_____
Use of money and property	28,924	_____	31
Sale of property and compensation for loss	32,157	_____	_____
Miscellaneous	419,900	527,580	622
State sources	15,912,687	749,217	10,131
Medicaid reimbursement	58,583	_____	_____
Federal sources	_____	736,965	287,172
Surplus food	_____	_____	35,942
Sales - School lunch	_____	_____	109,809
Total Revenues	26,124,518	2,013,762	443,707
EXPENDITURES			
General support	3,182,051	5,101	145,537
Instruction	10,719,491	1,489,488	24,240
Pupil transportation	1,042,178	493,787	_____
Community services	526	33,795	_____
Employee benefits	5,356,364	_____	47,711
Debt service:			
Principal	4,295,000	_____	_____
Interest	911,639	_____	_____
Cost of sales	_____	_____	169,979
Capital outlay	_____	_____	_____
Total Expenditures	25,507,249	2,022,171	387,467
Excess (Deficiency) of Revenues Over Expenditures	617,269	(8,409)	56,240
OTHER FINANCING SOURCES AND (USES)			
Proceeds of obligations	\$ _____	_____	_____
Premium on obligations	_____	_____	_____
Operating transfers in	_____	8,409	_____
Operating transfers (out)	(1,408,409)	_____	_____
Total Other (Uses) Sources	(1,408,409)	8,409	-
Net Change in Fund Balances	(791,140)	-	56,240
Fund Balances - Beginning of Year	5,195,867	-	71,358
Fund Balances - End of Year	\$ 4,404,727	\$ -	\$ 127,598

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		Non-Major Fund	
Debt Service Fund	Capital Projects Fund	Public Library Fund	Total Governmental Funds
\$	\$	130,650	\$ 8,273,093
			1,425,535
		3,670	107,959
4,234		29,520	62,709
			32,157
		29,914	978,016
	83,227	6,911	16,762,173
			58,583
			1,024,137
			35,942
			109,809
4,234	83,227	200,665	28,870,113
			3,332,689
			12,233,219
			1,535,965
		173,142	207,463
		8,510	5,412,585
			4,295,000
115,860			1,027,499
			169,979
	182,247		182,247
115,860	182,247	181,652	28,396,646
(111,626)	(99,020)	19,013	473,467
	22,295,000		\$ 22,295,000
115,860			115,860
	1,400,000		1,408,409
			(1,408,409)
115,860	23,695,000	-	22,410,860
4,234	23,595,980	19,013	22,884,327
1,885,572	(21,875,287)	31,688	(14,690,802)
\$ 1,889,806	\$ 1,720,693	\$ 50,701	\$ 8,193,525

WATKINS GLEN CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	22,884,327
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and net disposals exceeded capital outlay.		
Capital outlay	\$ 595,857	
Disposal of capital assets, net	(1,395)	
Depreciation expense	<u>(1,897,649)</u>	(1,303,187)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount interest payable increased from the prior year.		
Net change in accrued interest payable		361,386
The issuance of refunding bonds results in a deferral of the change in the amount of debt. The deferred amount is amortized annually.		
Amortization of deferred charges on defeased debt		(96,380)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by of principal payments.		
Principal payments	4,295,000	
Proceeds of obligations	<u>(22,295,000)</u>	(18,000,000)
Premiums received on obligations are recorded as revenues and expenditures in the Governmental Funds when received, but are deferred and amortized in the Governmental Activities. This is the amortization of premiums received in previous years, and the adjustment for premiums received in the current year.		
Amortization of bond premium	\$ 94,170	
Prior year BAN premium	<u>225,183</u>	319,353
Long-term obligations, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements. This is the change in the amount of other postemployment benefit liability reported in the Statement of Activities.		
Net change in other postemployment benefit liabilities		(1,717,753)
Changes in the School District's proportionate share of net pension (assets) and liabilities have no effect on the current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not affect current financial resources and therefore are not reported in the Governmental Funds.		
ERS	\$ (113,074)	
TRS	<u>123,038</u>	<u>9,964</u>
Net Change in Net Position of Governmental Activities	\$	<u>2,457,710</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash - Unrestricted	\$ 20,226	\$ 339,594
Cash - Restricted	8,761	
Total Assets	28,987	\$ 339,594
LIABILITIES		
Extraclassroom Activity balances		\$ 69,871
Other liabilities		269,723
Total Liabilities	-	\$ 339,594
NET POSITION		
Reserved for scholarships	\$ 28,987	

See Independent Auditor's Report and Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 1,650
Investment earnings	7
Total Additions	1,657
DEDUCTIONS	
Scholarships and awards	3,350
Change in Net Position	(1,693)
Net Position - Beginning of Year	30,680
Net Position - End of Year	\$ 28,987

See Independent Auditor's Report and Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies**

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

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another 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 funds are included in the School District's reporting entity:

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the School District represent 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 and is not a component unit of the district. However, due to the fiduciary relationship with the School District, these funds are reported in the Agency Fund of the District. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office located at 12th Street, Watkins Glen, New York 14891.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Public Library Fund

The Watkins Glen Public Library jointly shares the services of the School District Treasurer, and the School District appoints trustees and raises taxes for library purposes. The Public Library Fund is a blended component unit of the School District.

Joint Venture

The School District is one of 21 component school districts in 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.

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 §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 administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7).

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

Basis of Presentation - District-wide Financial Statements

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

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - District-wide Financial Statements - Continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expenses. 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.

Basis of Presentation - Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund** - This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Fund** - Accounts for the proceeds of specific revenue sources (other than capital projects) legally restricted to expend for specific purposes.
 - **Special Aid Fund** - Accounts for the proceeds of specific revenue sources, such as Federal, State and local grants that are legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
 - **School Lunch Fund** - Accounts for revenues and expenditures in connection with the School District's food service program.
- **Debt Service Fund** - Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund** - Accounts for the financial resources used for the renovation of the School District educational complexes. The renovations and various other capital projects are accounted for in the Capital Projects Fund.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Governmental Fund Financial Statements - Continued

In addition, the School District reports the following Non-Major Governmental Fund:

- **Public Library Fund** - Accounts for revenues and expenditures in connection with the Watkins Glen Public Library.

Fiduciary Activities are those in which the School 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 School District and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund** - Accounts for scholarship funds awarded to individual students. These activities, and those of the Agency Fund described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Fund** - Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

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. Nonexchange transactions, in which the School 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 financial 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 School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (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. 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. Investments are stated at fair value.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other 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.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Inventories and Prepaid Items - Continued

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance, known as nonspendable fund balance, is not available for other subsequent expenditures.

Capital Assets

Capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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 financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	50 years
Land improvements	5,000	20 years
Furniture and equipment	5,000	5-20 years

The straight-line method, considering salvage value, is used to calculate depreciation expense. A full physical appraisal was performed during the 2015-16 fiscal year.

Vested Employee Benefits - 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.

School District employees are granted vacation time 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.

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Postemployment Benefits

School District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postretirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund in the year paid.

The School District follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position as required. See Note 11 for additional information.

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements may also report deferred inflow of resources, if applicable, when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded. Unavailable revenues are reported as deferred inflows of resources on the Balance Sheet.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- **Net Investment in Capital Assets** - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted** - Consists of all other resources that do not meet the definition of “restricted” or “invested in capital assets.”

Equity Classifications - Governmental Fund Financial Statements

The School District follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” Statement No. 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund’s net resources.

Fund balances are allocated into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the school district is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable** - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- **Restricted** - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District’s legally adopted reserves are reported here.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- **Committed** - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- **Assigned** - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned** - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to 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.

The Board of Education of the School District has not adopted any resolutions to commit fund balance. By resolution, the Board of Education authorized the Business Manager to assign fund balance. The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. Except for the encumbrance reserve, these reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary. Reserves currently in use by the School District include the following:

- **Mandatory Reserve for Debt Service (GML §6-l)** - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.
- **Insurance Reserve (GML §6-m)** - Used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.
- **Employee Benefit Accrued Liability Reserve (GML §6-p)** - Used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, 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.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Tax Certiorari Reserve (Education Law §3651.1-a) - 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 amount 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 proceedings 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.
- Workers' Compensation Reserve (GML § 6-j) - Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for administering this self-insurance program. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the General Fund.
- Retirement Contribution Reserve (GML §6-r) - Used to reserve funds for the purpose of financing retirement contributions. This reserve may be established by a majority vote of the Board, 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.
- Repair Reserve (GML §6-d) - Used to pay the cost of repairs to capital improvements or equipment which are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund and Public Library Fund.
- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 15, 2016. Taxes were collected during the period September 1 to October 31, 2016.

Uncollected real property taxes are subsequently enforced by the Counties of Schuyler and Chemung. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the Counties to the School District no later than the following April 1.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits payable, potential contingent liabilities and useful lives of long-lived assets.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Deferred Outflows and Inflows 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 School District reports a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions are described in Note 10.

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 School District reports items that qualify for reporting in this category. The first arises only under the modified accrual basis of accounting and is reported as unavailable revenue and the other type of deferred inflows of resources is related to pensions as described in Note 10.

New Accounting Standards

The School District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2017:

- GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ended June 30, 2017.
- GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ended June 30, 2017.
- GASB has issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for the year ended June 30, 2017.
- GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14," effective for the year ended June 30, 2017.
- GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ended June 30, 2017.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

New Accounting Standards - Continued

- GASB has issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ended June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Future Changes in Accounting Standards

The School District will evaluate the impact each of the following pronouncements may have on its financial statements and will implement them as applicable and when material:

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 2 Participation in BOCES

During the year ended June 30, 2017, the School District's share of BOCES income amounted to \$1,104,512. The School District was billed \$3,282,282 for BOCES administration and program costs. Financial statements for Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, New York 14903.

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$9,081,166 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

The School District has few investments (primarily donated Scholarship Funds), and chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or
- Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name, or
- Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

General Fund reserves	\$	2,785,535
Debt service		1,889,806
Unspent bond proceeds		340,782
School Lunch Fund		91,103
Library Fund reserves		16,278
Total	\$	<u>5,123,504</u>
Private Purpose Trust Fund	\$	<u>8,761</u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued

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

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

Note 4 Other Receivables

Other receivables consisted of the following, which are stated at net realizable value.

	Description	Amount
General Fund	Billings for services	\$ 27,398
Special Aid Fund	Billings for services	60,090
School Lunch Fund	Billings for services	24
Total		\$ 87,512

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2017, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,181,326	\$ 594,325	\$	\$ 1,408,409
Special Aid Fund		575,618	8,409	
Capital Projects Fund		34	1,400,000	
School Lunch Fund		11,383		
Debt Service Fund	34			
Total	\$ 1,181,360	\$ 1,181,360	\$ 1,408,409	\$ 1,408,409

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 5 Interfund Balances and Activity - Continued

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to the Capital Fund, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Note 6 Capital Assets

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in progress		182,247		182,247
Total Nondepreciable Historical Cost	<u>264,500</u>	<u>182,247</u>	<u>-</u>	<u>446,747</u>
Capital assets that are depreciated:				
Buildings and improvements	69,424,907			69,424,907
Furniture and equipment	2,971,936	413,610	(195,865)	3,189,681
Total Depreciable Historical Cost	<u>72,396,843</u>	<u>413,610</u>	<u>(195,865)</u>	<u>72,614,588</u>
Total Historical Cost	<u>72,661,343</u>	<u>595,857</u>	<u>(195,865)</u>	<u>73,061,335</u>
Less accumulated depreciation:				
Buildings and improvements	(18,107,484)	(1,578,572)		(19,686,056)
Furniture and equipment	(1,674,107)	(319,077)	194,470	(1,798,714)
Total Accumulated Depreciation	<u>(19,781,591)</u>	<u>(1,897,649)</u>	<u>194,470</u>	<u>(21,484,770)</u>
Total Historical Cost, Net	\$ <u>52,879,752</u>	\$ <u>(1,301,792)</u>	\$ <u>(1,395)</u>	\$ <u>51,576,565</u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 6 Capital Assets - Continued

Depreciation expense was charged to governmental functions as follows:

General support	\$	222,672
Instruction		1,366,639
Pupil transportations		307,323
School lunch program		<u>1,015</u>
Total Depreciation Expense	\$	<u>1,897,649</u>

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District issued \$22,295,000 in BANs the prior year, which matured on August 3, 2016 at a 2.00% interest rate. No new BANs were issued during the current year.

	<u>Beginning Balance</u>		<u>Issued</u>		<u>Redeemed</u>		<u>Ending Balance</u>
BANs	\$ 22,295,000	\$	\$	\$	(22,295,000)	\$	-
BAN premium	<u>225,183</u>		<u>115,860</u>		<u>(341,043)</u>		<u>-</u>
Total	<u>\$ 22,520,183</u>	\$	<u>115,860</u>	\$	<u>(22,636,043)</u>	\$	<u>-</u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 7 Short-term Debt - Continued

Interest expense on short-term debt during the year was comprised of:

Interest paid	\$	730,530
Less interest accrued in the prior year		(401,310)
Less amortization of prior year BAN premium		<u>(341,043)</u>
Total	\$	<u><u>(11,823)</u></u>

Note 8 Long-term Debt

At June 30, 2017, the total outstanding indebtedness of the School District represented 35.39% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- **Serial Bonds** - The School District borrows money in order to acquire land or equipment 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 the capital assets.

The following is a summary of the School District's long-term debt for the year ended June 30, 2017:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2016</u>
Serial Bonds:				
Refunding Bond, 2012	4/19/2012	6/15/2019	2.00%-3.00%	\$ 715,000
Refunding Bond, 2014	9/11/2013	6/15/2019	1.75%-4.00%	4,525,000
Capital reconstruction	4/15/2008	4/15/2023	3.125%-3.75%	1,570,000
Serial Bond 2017	6/01/2017	6/01/2031	2.00-3.00%	20,775,000
Unamortized bond premium				<u>188,338</u>
Total				\$ <u><u>27,773,338</u></u>

Interest expense on long-term debt during the year was comprised of:

Interest paid	\$	296,969
Less interest accrued in the prior year		(10,816)
Plus interest accrued in the current year		50,740
Plus amortization of deferred charges on defeased debt		96,380
Less amortization of bond premium		<u>(94,170)</u>
Total	\$	<u><u>339,103</u></u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt - Continued

Interest paid on Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

On April 19, 2012 the School District issued \$2,340,000 general obligation bonds, with interest rates ranging between 2% and 3%. The School District issued the bonds to advance refund \$2,340,000 of outstanding various general obligation bonds with interest rates ranging from 2% to 5%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$2,340,000 in bonds was considered defeased and the liability was removed from the School District's financial statements. The outstanding principal of the defeased bonds was \$715,000 at June 30, 2017.

On October 2, 2013 the School District issued \$11,070,000 general obligation bonds, with interest rates ranging between 1.75% and 4.00%. The School District issued the bonds to advance refund \$10,835,000 of outstanding various general obligation bonds with interest rates ranging from 4.0% to 4.5%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$10,835,000 in bonds was considered defeased and the liability was removed from the School District's financial statements. The outstanding principal of the defeased bonds was \$4,525,000 at June 30, 2017.

Long-term debt balances and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial Bonds	\$ 1,825,000	\$ 20,775,000	\$ (255,000)	\$ 22,345,000	\$ 1,620,000
Refunded Serial Bonds 2012	1,060,000	-	(345,000)	715,000	350,000
Refunded Serial Bonds 2014	6,700,000	-	(2,175,000)	4,525,000	2,225,000
Add: Unamortized Bond Premium	282,508	-	(94,170)	188,338	94,170
Total	\$ 9,867,508	\$ 20,775,000	\$ (2,869,170)	\$ 27,773,338	\$ 4,289,170

The following is a summary of the maturity of long-term indebtedness:

Year	Principal	Interest	Total
2018	\$ 4,195,000	\$ 689,656	\$ 4,884,656
2019	4,320,000	564,088	4,884,088
2020	1,745,000	438,513	2,183,513
2021	1,785,000	399,713	2,184,713
2022	1,825,000	360,038	2,185,038
2023-2031	13,715,000	1,512,813	15,227,813
Total	\$ 27,585,000	\$ 3,964,821	\$ 31,549,821

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt - Continued

Deferred Outflows of Resources

Unamortized defeased debt related to the 2014 bond refunding is amortized over the life of the bonds and the balance and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Deferred charges on defeased debt	\$ 289,138	\$	\$ (96,380)	\$ 192,758	\$ 96,380
Total	\$ 289,138	\$ -	\$ (96,380)	\$ 192,758	\$ 96,380

Note 9 Other Long-term Obligations

In addition to the above long-term obligations, the School District had the following other noncurrent liabilities:

- Net pension liability - Proportionate share. See Note 10 for further information.
- Other Postemployment Benefit Liabilities (OPEB) - Represents the actuarially determined obligation for the postretirement health care benefits program. This obligation is liquidated in the General and School Lunch funds. See Note 11 for further information.

Other long-term obligation balances and activity for the year ended June 30, 2017 are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
Net pension liability - Proportionate share	\$ 1,315,836	\$ 2,092	\$	\$ 1,317,928
Other postemployment benefits liability	13,057,221	1,717,753		14,774,974
Total	\$ 14,373,057	\$ 1,719,845	\$ -	\$ 16,092,902

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The School 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The School 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 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Employees' Retirement System (ERS) - Continued

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For 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.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

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

	<u>ERS</u>		<u>TRS</u>
2017	\$ 322,056	\$	971,028
2016	362,779		1,424,217
2015	372,091		1,204,926

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

At June 30, 2017, the School 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, 2017 for ERS and June 30, 2016 for TRS. The total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation. The School District's proportion of the net pension (asset) liability was based on a projection of the School 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 School District.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

	ERS	TRS
Actuarial valuation date	4/1/2016	6/30/2015
Net pension (asset) liability	\$ 9,396,223,126	\$ 1,071,041,940
School District's proportionate share of the Plan's total net pension (asset) liability	759,183	558,745
School District's share of the net pension (asset) liability	0.0080797%	0.0521684%

For the year ended June 30, 2017, the School District recognized pension expense of \$436,051 for ERS and \$919,793 for TRS in the District-wide financial statements. At June 30, 2017, the School District 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	\$ 19,024	\$ -	\$ 115,286	\$ 181,512
Changes of assumptions	259,365	3,182,966	-	-
Net differences between projected and actual earnings on pension plan investments	151,640	1,256,351	-	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	12,762	34,422	7,446	73,296
School District's contributions subsequent to the measurement date	84,578	946,202	-	-
Total	\$ 527,369	\$ 5,419,941	\$ 122,732	\$ 254,808

School District contributions subsequent to the measurement date, reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	TRS
2018	\$ 144,872	\$ 384,195
2019	144,872	384,195
2020	132,630	1,359,911
2021	(102,315)	1,056,338
2022		482,072
Thereafter		552,220

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Investment rate of return	7.0%	7.5%
Salary increases	3.8%	1.9% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

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

For ERS, 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.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Asset Type:		
Domestic equities	4.55%	6.1%
International equities	6.35%	7.3%
Real estate	5.80%	5.4%
Private equity/Alternative investments	7.75%	9.2%
Absolute return strategies	4.00%	
Opportunistic portfolio	5.89%	
Real assets	5.54%	
Cash	-0.25%	
Inflation-indexed bonds	1.50%	
Domestic fixed income securities		1.0%
Global fixed income securities		0.8%
Mortgages and bonds	1.31%	3.1%
Short-term		0.1%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and 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.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption - Continued

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 2,424,681	\$ 759,183	\$ (648,992)

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension (asset) liability	\$ 7,290,095	\$ 558,745	\$ (5,087,159)

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:

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension (asset) liability	\$ 177,400,586	\$ 108,577,184
Plan net position	168,004,363	107,506,142
Employers' net pension (asset) liability	\$ 9,396,223	\$ 1,071,042
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	94.7%	99.0%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$84,578.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October, and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on estimated 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, 2017 amounted to \$995,505.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Effect on Net Position

Changes in the pension liability (asset) and deferred outflows and inflows of resources for the year ending June 30, 2017 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension liability	\$ 1,315,836	\$ (556,653)	\$ 759,183
Deferred outflows of resources	(1,235,714)	708,345	(527,369)
Deferred inflows of resources	161,350	(38,618)	122,732
Subtotal	241,472	113,074	354,546
TRS:			
Net pension (asset) liability	(5,479,546)	6,038,291	558,745
Deferred outflows of resources	(971,028)	(4,448,913)	(5,419,941)
Deferred inflows of resources	1,967,224	(1,712,416)	254,808
Subtotal	(4,483,350)	(123,038)	(4,606,388)
Total	\$ (4,241,878)	\$ (9,964)	\$ (4,251,842)

Note 11 Other Postemployment Benefits

The School District follows GASB Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the School District reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of the School District Retiree Medical Plan (Plan) was performed as of July 1, 2015 for the fiscal year ending June 30, 2017 and 2016, and as of July 1, 2013 for the fiscal years ending June 30, 2015 and 2014.

The Plan is a single-employer, defined benefit Other Postemployment Benefit (OPEB) plan administered by the School District. The Plan provides continuation of medical and dental benefits to eligible retirees and their spouses and can be amended by action of the School District subject to applicable collective bargaining and employment agreements.

The School District assigns the authority to establish and amend benefit provisions to the Board of Education for non-bargaining unit employees. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The contribution requirements of Plan members and the School District are established and may be amended by the Board of Education. The Board of Education has negotiated several collective bargaining agreements, which include obligations of Plan members and the School District. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2017, the School District paid current premiums on behalf of 118 retirees. The expected employer contribution of \$748,800 represents an actuarially determined estimate of premiums and claims paid on behalf of retirees. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 11 Other Postemployment Benefits - Continued

The School District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and accumulate sufficient total accruals for all postretirement benefits when due.

The following table shows the components of the School District's annual OPEB cost for the year, expected contributions to the Plan and changes in the School District's net OPEB obligation:

Normal cost	\$	1,107,005
Amortization of unfunded actuarial accrued liability (UAAL)		1,592,359
Total Annual Required Contribution		2,699,364
Interest on net OPEB obligation		522,289
Adjustment to annual required contribution		(755,100)
Annual OPEB Cost (Expense)		2,466,553
Expected employer contributions		(748,800)
Increase in Net OPEB Obligation		1,717,753
Net OPEB Obligation - July 1, 2016		13,057,221
Net OPEB Obligation - June 30, 2017	\$	14,774,974

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 2,466,553	30.4%	\$ 14,774,974
6/30/2016	2,314,509	31.2%	13,057,221
6/30/2015	1,900,091	29.4%	11,464,116

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$28,979,744; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$11,058,836 and the ratio of the UAAL to the covered payroll was 262.05%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 11 Other Postemployment Benefits - Continued

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

In the July 1, 2015 Actuarial Valuation, the projected unit credit actuarial cost method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. Actuarial assumptions included a discount rate of 4% per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars. Additional actuarial assumptions included an annual medical cost trend rate of 7.25% initially, reduced by decrements to an ultimate rate of 3.886% after five years for pre-age 65 and an annual medical cost trend rate of 5.7% initially, reduced by decrements to an ultimate rate of 3.886% after five years for post-age 65.

Note 12 Commitments and Contingencies

Risk Financing and Related Insurance

General Information

The School District is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. 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 three years.

Health Insurance

The School District incurs costs related to a self-insured not for profit employee healthcare trust entitled the NY44 Health Benefits Plan Trust (Trust). The Trust is under the oversight of the New York Insurance Department and controlled by 10 trustees who are employees of the Erie 1 BOCES and represent all participating schools: five appointed by the labor organizations and five appointed by Erie 1 BOCES' administration. Because the Trust is jointly run, both union and management make decisions related to benefits and rates. The Trust receives contributions from employer members on behalf of the covered employees and dependents. The contribution is based on type of plan the employee subscribes to (single, family, employee/spouse, employee/children) multiplied by a predetermined rate per month, such rate being determined with the Board of the Trust. Each of the School District's bargaining units have signed a memo of understanding with the Trust as entering into a four year minimum commitment. The Trust has approximately 14,000 enrollees in 50 participating school districts, BOCES, and community colleges.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 12 Commitments and Contingencies - Continued

Health Insurance - Continued

During the year ended June 30, 2017, the School District incurred premiums or contribution expenditures totaling \$2,927,245.

The Trust financial statements may be obtained from the NY44 Health Benefits Plan Trust administrative office at 355 Harlem Road, West Seneca, New York 14224 or the following link: <http://www.ny44.e1b.org/site/Default.aspx?PageID=10>

Workers' Compensation

The School District incurs costs related to a workers' compensation plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of two years; a member may withdraw from the Plan after that time. Plan members include four school districts, with the School District bearing a share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2017, the School District incurred premiums or claim expenditures totaling \$147,757.

The Plan financial statements may be obtained from the Greater Southern Tier BOCES administration office at 459 Philo Road, Elmira, New York 14903.

Other Items

The School District has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 13 Fund Balance Detail

At June 30, 2017, nonspendable, restricted and assigned fund balances in the Governmental Funds was as follows:

	General Fund	School Lunch Fund	Debt Service Fund	Capital Projects Fund	Public Library Fund
Nonspendable	\$	\$	\$	\$	\$
Inventory		29,566			
Total Nonspendable Fund Balance	\$ -	\$ 29,566	\$ -	\$ -	\$ -
Restricted					
Retirement contribution reserve	\$ 531,407				
Tax certiorari reserve	250,442				
Insurance reserve	446,975				
Workers compensation reserve	48,038				
Repair reserve	141,040				
Employee benefit accrued liability reserve	651,589				
Capital reserve	716,044				16,278
Capital projects				1,720,693	
School lunch		98,032			
Debt			1,889,806		
Total Restricted Fund Balance	\$ 2,785,535	\$ 98,032	\$ 1,889,806	\$ 1,720,693	\$ 16,278
Assigned					
Appropriated for next year's budget	\$ 435,000				
Encumbered for:					
General support	59,812				
Instruction	40,276				
Pupil transportation	24,170				
Public Library					34,423
Total Assigned Fund Balance	\$ 559,258	\$ -	\$ -	\$ -	\$ 34,423

Reconciliation Between Restricted Fund Balance and Restricted Net Position

Restricted fund balances and restricted net position differ because unspent debt proceeds are reported as restricted fund balance in the fund financial statements and as part of net investment in capital assets in the Statement of Net Position.

Restricted fund balance in the fund financial statements	\$ 6,510,344
Less unspent debt proceeds	(340,782)
Restricted net position in the District-wide financial statements	\$ 6,169,562

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 14 **Restricted Fund Balances**

General Fund

Portions of fund balance are restricted and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2017 of the General Fund restricted reserves were as follows:

General Fund	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Tax certiorari reserve	\$ 250,192	\$	\$ 250	\$	\$ 250,442
Insurance reserve	446,529		446		446,975
Workers compensation reserve	48,014		24		48,038
Retirement contribution reserve	530,611		796		531,407
Capital reserve	1,648,856	464,000	3,188	(1,400,000)	716,044
Repair reserve	140,899		141		141,040
Employee benefit accrued liability reserve	500,678	150,000	911		651,589
Total	\$ 3,565,779	\$ 614,000	\$ 5,756	\$ (1,400,000)	\$ 2,785,535

Note 15 **Tax Abatements**

For the year ended June 30, 2017, property in the School District was subject to property tax abatements negotiated by the Schuyler County Industrial Development Agency (SCIDA).

SCIDA enters into payments in lieu of taxes (PILOT) agreements with businesses within Schuyler County under New York State General Municipal Law 858. Economic development agreements entered into by SCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which SCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 15 Tax Abatements - Continued

Information relevant to disclosure of the program for the year ended June 30, 2017 is as follows:

	<u>Taxable Assesed</u>	<u>School Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Water Works	\$ 402,200	12.35463	\$ 4,969	\$ 2,159	\$ 2,810
WG Apartments	2,878,700	12.35463	35,565	27,102	8,463
Cargill	7,325,000	12.35463	90,498	89,316	1,182
Empire Pipeline	25,327,299	12.35463	312,909	113,652	199,257
US Salt	22,500,000	12.35463	277,979	53,220	224,759
FL Railway	1,716,927	12.35463	21,212	18,666	<u>2,546</u>
Total Abated Taxes					<u>\$ 439,017</u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 9,231,806	\$ 8,142,443	\$ 8,142,443	\$ -
Other tax items	260,000	1,425,536	1,425,535	(1)
Charges for services	24,000	77,345	104,289	26,944
Use of money and property	20,000	28,925	28,924	(1)
Sale of property and compensation for loss		32,158	32,157	(1)
Miscellaneous	229,116	425,843	419,900	(5,943)
Total Local Sources	9,764,922	10,132,250	10,153,248	20,998
State sources	16,001,619	15,901,949	15,912,687	10,738
Medicaid reimbursement	35,000	35,000	58,583	23,583
Total Revenues	25,801,541	26,069,199	26,124,518	55,319
OTHER FINANCING SOURCES				
Operating transfers in	258,473	-	-	-
Total Revenues and Other Financing Sources	26,060,014	26,069,199	\$ 26,124,518	\$ 55,319
Appropriated Fund Balance	500,000	500,000		
Appropriated Reserves		1,400,000		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	69,121	69,121		
Total Revenues, Appropriated Fund Balance and Designated Fund Balance	\$ 26,629,135	\$ 28,038,320		

See Independent Auditor's Report and Notes to Required Supplementary Information

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 22,700	\$ 37,700
Central administration	212,526	218,822
Finance	256,062	305,273
Staff	57,426	50,797
Central services	2,195,945	2,386,834
Special items	483,436	647,045
Total General Support	3,228,095	3,646,471
Instruction		
Instruction, administration, and improvement	854,371	907,998
Teaching - Regular school	6,359,260	6,014,364
Programs for children with handicapping conditions	2,169,071	2,181,808
Occupational education	310,507	308,141
Teaching - Special school		804
Instructional media	863,949	768,459
Pupil services	989,614	1,017,837
Total Instruction	11,546,772	11,199,411
Pupil Transportation	1,150,398	1,161,216
Community Services	4,150	4,150
Employee Benefits	5,782,167	5,378,433
Debt Service		
Principal	4,875,553	4,295,000
Interest		911,639
Total Debt Service	4,875,553	5,206,639
Total Expenditures	26,587,135	26,596,320
OTHER FINANCING USES		
Operating transfers out	42,000	1,442,000
Total Expenditures and Other Financing Uses	\$ 26,629,135	\$ 28,038,320
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 35,110	\$	\$ 2,590
214,824		3,998
295,158		10,115
37,037		13,760
2,112,070	59,811	214,953
487,852		159,193
3,182,051	59,811	404,609
866,640	19,203	22,155
5,837,600		176,764
2,042,471	4,900	134,437
303,833		4,308
203		601
751,793	34	16,632
916,951	16,139	84,747
10,719,491	40,276	439,644
1,042,178	24,171	94,867
526		3,624
5,356,364		22,069
4,295,000		-
911,639		-
5,206,639	-	-
25,507,249	124,258	964,813
1,408,409		33,591
26,915,658	<u>\$ 124,258</u>	<u>\$ 998,404</u>
(791,140)		
5,195,867		
<u>\$ 4,404,727</u>		

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>7/1/2015</u>	<u>06/30/2017</u>	\$	\$ <u>28,979,744</u>	\$ <u>28,979,744</u>	<u>0.0%</u>	\$ <u>11,058,836</u>	<u>262.05%</u>
7/1/2015	06/30/2016	-	25,674,010	25,674,010	0.0%	11,114,213	231.00%
7/1/2013	06/30/2015	-	22,629,947	22,629,947	0.0%	10,852,170	208.53%
7/1/2013	06/30/2014	-	17,111,056	17,111,056	0.0%	9,838,542	173.92%
7/1/2011	06/30/2013	-	40,278,055	40,278,055	0.0%	9,729,174	413.99%
7/1/2011	06/30/2012	-	38,578,507	38,578,507	0.0%	10,165,928	379.49%

See Independent Auditor's Report and Notes to Required Supplementary Information

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 322,056	\$ 362,779	\$ 372,091	\$ 415,649	\$ 341,700	\$ 348,006	\$ 187,268	\$ 116,602	\$ 122,371	\$ *
Contributions in relation to the contractually required contribution	<u>(322,056)</u>	<u>(362,779)</u>	<u>(372,091)</u>	<u>(415,649)</u>	<u>(341,700)</u>	<u>(348,006)</u>	<u>(187,268)</u>	<u>(116,602)</u>	<u>(122,371)</u>	<u>*</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
School District's covered - employee payroll	4,733,588	2,195,916	2,233,840	2,196,696	*	*	*	*	*	*
Contributions as a percentage of covered - employee payroll	6.8%	16.5%	16.7%	18.9%	N/A	N/A	N/A	N/A	N/A	N/A

* Information not readily available

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 946,202	\$ 971,028	\$ 1,424,217	\$ 1,204,926	\$ 859,359	\$ 879,627	\$ 889,843	\$ 709,613	\$ 522,282	\$ 616,598
Contributions in relation to the contractually required contribution	<u>(946,202)</u>	<u>(971,028)</u>	<u>(1,424,217)</u>	<u>(1,204,926)</u>	<u>(859,359)</u>	<u>(879,627)</u>	<u>(889,843)</u>	<u>(709,613)</u>	<u>(522,282)</u>	<u>(616,598)</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
School District's covered - employee payroll	8,073,396	7,322,986	8,124,455	7,414,929	7,258,100	7,917,435	10,323,005	11,463,861	6,845,111	*
Contributions as a percentage of covered - employee payroll	11.7%	13.3%	17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	N/A

* Information not readily available

See Independent Auditor's Report and Notes to Required Supplementary Information

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	0.0080797%	0.0081982%	0.0077880%
School District's proportionate share of the net pension (asset) liability	\$ 759,183	\$ 1,315,836	\$ 263,098
School District's covered-employee payroll during the measurement period	13,413,356	2,142,637	2,188,018
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	5.7%	61.4%	12.0%
Plan fiduciary net position as a percentage of the total pension (asset) liability	94.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	0.052168%	0.052755%	0.050197%
School District's proportionate share of the net pension (asset) liability	\$ 558,745	\$ (5,479,546)	\$ (5,591,671)
School District's covered-employee payroll during the measurement period	7,322,986	8,124,455	7,414,929
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	7.6%	-67.4%	-75.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-99.0%	110.5%	111.5%

See Independent Auditor's Report and Notes to Required Supplementary Information

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund. The General Fund is the only fund with a legally adopted budget.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Adopted Budget	\$	26,560,014
Prior year encumbrances		69,121
Insurance recovery		9,185
Appropriated reserve		<u>1,400,000</u>
Final Budget	\$	<u>28,038,320</u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4 Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability

The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability

NYSLRS:

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

NYSTRS:

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued

NYSTRS - Continued:

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ <u>26,560,014</u>
Prior year's encumbrances		<u>69,121</u>
Original Budget		<u>26,629,135</u>
Additions:		
Insurance recovery		<u>9,185</u>
Appropriated reserve		<u>1,400,000</u>
Total Additions		<u>1,409,185</u>
Final Budget		\$ <u><u>28,038,320</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget		\$ <u><u>27,220,200</u></u>
Maximum allowed (4% of the 2017-2018 budget)		\$ 1,088,808
General Fund fund balance subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 559,258	
Unassigned fund balance	<u>1,059,934</u>	
Total Unrestricted Fund Balance		<u><u>1,619,192</u></u>
Less:		
Appropriated fund balance	\$ 435,000	
Encumbrances included in committed and assigned fund balance	<u>124,258</u>	
Total Adjustments		<u><u>559,258</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		\$ <u><u>1,059,934</u></u>
Actual Percentage		3.89%

See Independent Auditor's Report

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Revised Budget	Expenditures		Total
			Prior Years	Current Year	
2018 Capital Project	\$ 842,540	\$ 842,540	\$ -	\$ 20,089	\$ 20,089
SMART Project	83,171	83,171	-	83,227	83,227
PHASE III HVAC Project	449,977	470,593	-	78,931	78,931
Total	\$ 1,375,688	\$ 1,396,304	\$ -	\$ 182,247	\$ 182,247

See Independent Auditor's Report

Unexpended Balance	Methods of Financing			Fund Balance June 30, 2017	
	Proceeds of Obligations	State Aid	Local Sources		Total
\$ 822,451	\$	\$	\$ 1,400,000	\$ 1,400,000	\$ 1,379,911
(56)		83,227		83,227	-
391,662	419,713			419,713	340,782
\$ 1,214,057	\$ 419,713	\$ 83,227	\$ 1,400,000	\$ 1,902,940	\$ 1,720,693

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2017

Capital assets, net	\$ <u>51,576,565</u>
Add:	
Deferred charges on defeased debt	<u>192,758</u>
Deduct:	
Unamortized bond premium	<u>(188,338)</u>
Short-term portion of bonds payable	<u>(4,195,000)</u>
Long-term portion of bonds payable	<u>(23,390,000)</u>
Less: unspent bond proceeds	<u>340,782</u>
Net Investment in Capital Assets	\$ <u><u>24,336,767</u></u>

See Independent Auditor's Report

**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**

Board of Education
Watkins Glen Central School District
Watkins Glen, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watkins Glen Central School District (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated September 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of School District’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 18, 2017

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

Board of Education
Watkins Glen Central School District
Watkins Glen, New York

Report on Compliance for Each Major Federal Program

We have audited the Watkins Glen Central School District’s (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2017. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 a legal determination of the School District’s compliance.

Opinion on Each Major Federal Program

In our opinion, Watkins Glen Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the 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 the 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control over compliance.

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

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

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

Respectfully Submitted,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 18, 2017

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass- Through Grantor #	Pass- Through to Subrecipients	Expenditures
U.S. Department of Education				
Direct:				
Fund for the Improvement of Education	84.215F	Direct	\$	\$ 112,502
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021172805		261,972
Improving Teacher Quality State Grants	84.367	0147172805		73,776
Special Education Cluster:				
Special Education-Grants to States (IDEA, Part B)	84.027	0032170846		276,428
Special Education-Preschool Grants (IDEA Preschool)	84.173	0033170846		12,287
Total Special Education Cluster				288,715
Total U.S. Department of Education				736,965
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster:				
National School Lunch Program	10.555	006731		240,073
School Breakfast Program	10.553	006731		59,181
Summer Food Service Program for Children	10.559	006731		23,860
Total Child Nutrition Cluster				323,114
Total U.S. Department of Agriculture				323,114
Total Expenditures of Federal Awards			\$ -	\$ 1,060,079

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from Federal agencies, as well as Federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the Federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 Matching Costs

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 Non-Monetary Federal Program

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the School District received \$35,942 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 Subrecipients

No amounts were provided to subrecipients.

Note 7 Other Disclosures

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a? yes X no

Identification of major programs:

CFDA Numbers
10.553, 10.555, 10.559

Name of Federal Program or Cluster
Child Nutrition Cluster

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

Auditee qualified as low-risk? X yes no

Section II - Financial Statement Findings None

Section III - Federal Award Findings and Questioned Costs None