

**TIOGA
CENTRAL SCHOOL DISTRICT**

FINANCIAL REPORT

June 30, 2017



TIOGA CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2017

Independent Auditor's Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	12
Notes to Financial Statements	13-46
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund	47
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund	48-48a
Schedule of Funding Progress	49
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans	50-50a
Schedules of Proportionate Share of Net Pension (Asset) Liability	51
Notes to Required Supplementary Information	52-55
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	56
Schedule of Project Expenditures - Capital Projects Fund	57-57a
Net Investment in Capital Assets	58
Report Required Under Government Auditing Standards	
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 <i>Government Auditing Standards</i>	59-60

TIOGA CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2017

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditor's Report on Compliance For Each Major Program and on	
Internal Control over Compliance Required by Uniform Guidance	61-62
Schedule of Expenditures of Federal Awards	63
Notes to Schedule of Expenditures of Federal Awards	64
Schedule of Findings and Questioned Costs	65

INDEPENDENT AUDITOR'S REPORT

Board of Education
Tioga Central School District
Tioga Center, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tioga 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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, Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes 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 20, 2017 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 20, 2017

TIOGA CENTRAL SCHOOL DISTRICT

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

The following is a discussion and analysis of the Tioga 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 Statement of Net Position reflects a total net (deficit) of \$(11,301,456) at June 30, 2017. This compares to a total net (deficit) of \$(9,731,412) at June 30, 2016, and represents a (16.1) % difference from the prior year, primarily due to the increase in the OPEB liability.
- The Statement of Activities shows the School District's expenses exceeding revenues by \$(1,570,044) at June 30, 2017. This compares to expenses exceeding revenues by \$(2,055,541) at June 30, 2016.
- The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The School District's annual OPEB cost for 2017 was \$4,995,234. However, the School District's expected employer contributions totaled \$1,267,082 during the current fiscal year, resulting in a net increase in OPEB liabilities of \$3,728,152 for the remaining portion of the ARC. The accumulated OPEB liabilities at June 30, 2017 totaled \$27,599,813.
- Capital asset additions during 2017 amounted to \$790,749, of which \$268,596 was the result of capital project activity in accordance with the School District's capital construction and renovation plans, \$242,154 was the result of approved capital bus purchases, and the purchase of equipment in the amount of \$279,999.
- Overall indebtedness of the School District in the amount of \$16,692,977 decreased \$(1,996,360) from 2016. This was the mainly the result of debt payments.
- Unassigned fund balance in the General Fund increased \$36,570 from \$700,607 at June 30, 2016 to \$737,177 at June 30, 2017. Total fund balances in the General Fund showed an increase of 25.2% in 2017, from \$2,551,532 in 2016 to \$3,195,060; primarily due to an increase in non-spendable fund balance which corresponds to prepaid expenditures and amounts assigned for the subsequent years budget.
- The School District continues to take measures to contain the growth of General Fund operating expenditures. General Fund budgeted expenditures, including carry-over encumbrances, were underspent by \$334,473 during the current year. Revenues in the General Fund were greater than estimated by \$497,774 during the year ended June 30, 2017.

TIOGA 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 Proportionate Share of 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.

TIOGA CENTRAL SCHOOL DISTRICT

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

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.

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 Student 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 decreased by \$(1,570,044). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

TIOGA 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>	\$ 2,811,224	\$ 4,151,689	\$ 1,340,465
<i>Noncurrent assets</i>	5,054,192	1,661,492	(3,392,700)
<i>Capital assets, net</i>	25,813,393	25,191,148	(622,245)
<i>Total Assets</i>	33,678,809	31,004,329	(2,674,480)
<i>Pensions</i>	1,525,280	3,772,065	2,246,785
<i>Deferred charges on defeased debt</i>	1,094,565	993,787	(100,778)
<i>Total Deferred Outflows of Resources</i>	2,619,845	4,765,852	2,146,007
<i>Current liabilities</i>	3,478,126	3,745,422	267,296
<i>Noncurrent liabilities</i>	41,259,199	43,104,962	1,845,763
<i>Total Liabilities</i>	44,737,325	46,850,384	2,113,059
<i>Pensions</i>	1,292,741	221,253	(1,071,488)
<i>Total Deferred Inflows of Resources</i>	1,292,741	221,253	(1,071,488)
<i>Net investment in capital assets</i>	6,998,509	9,564,477	2,565,968
<i>Restricted</i>	1,656,711	2,287,540	630,829
<i>Unrestricted (Deficit)</i>	(18,386,632)	(23,153,473)	(4,766,841)
<i>Total Net Position (Deficit)</i>	\$ (9,731,412)	\$ (11,301,456)	\$ (1,570,044)

The increase in current assets is primarily the result of increased cash based on revenues exceeding expenses for the current year, as well as increases in prepaid expenditures, and amounts due from state, federal, and other governments. The decrease in noncurrent assets, and deferred inflows of resources - pensions, along with increase in deferred outflows of resources - pensions, is related to changes in the actuarial, determined net pension (asset) liability and related deferred outflows and inflows of resources for the systems' plans. The decrease in capital assets, net, stems from depreciation expense exceeding capital outlay. Deferred outflows - deferred charges on defeased debt decreased based on the regular amortization of deferred charges. Current liabilities increased because of payables at year-end to BT Health and BT BOCES. The increase in noncurrent liabilities is due to the increase in other postemployment benefits liability, and the pension (asset) liability, partially offset by bond payments.

The change in the net investment in capital assets is a reflection of the reduction in debt related to fixed assets. Restricted resources increased primarily due to increases in amounts restricted for school lunch and capital projects. Some of the remaining unrestricted resources have been designated by the Board to meet the future needs of the School District. \$500,000 has been designated to balance the 2017-2018 budget. The unrestricted (deficit) increased mainly as a result of an increase in other postemployment benefits liability and changes in restricted net position.

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

TIOGA CENTRAL SCHOOL DISTRICT

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

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>	\$ 270,231	\$ 228,533	\$ (41,698)
<i>Operating grants and contributions</i>	1,123,932	1,251,797	127,865
<i>Capital grants</i>	41,272	57,413	16,141
<i>General Revenues:</i>			
<i>Real property taxes</i>	2,988,077	3,255,522	267,445
<i>Real property tax items</i>	553,684	558,465	4,781
<i>State sources</i>	13,073,882	13,565,186	491,304
<i>Use of money and property</i>	64,918	64,599	(319)
<i>Other general revenues</i>	742,990	897,753	154,763
Total Revenues	18,858,986	19,879,268	1,020,282
PROGRAM EXPENSES			
<i>General support</i>	2,881,925	2,785,940	(95,985)
<i>Instruction</i>	14,877,478	15,588,494	711,016
<i>Pupil transportation</i>	1,612,991	1,594,815	(18,176)
<i>Community service</i>	63,753	56,498	(7,255)
<i>School lunch program</i>	728,225	721,667	(6,558)
<i>Interest on debt</i>	750,155	701,898	(48,257)
Total Expenses	20,914,527	21,449,312	534,785
(DECREASE) IN NET POSITION	\$ (2,055,541)	\$ (1,570,044)	\$ 485,497

Total revenues for the School District's Governmental Activities increased by \$1,020,282, or 5.4% and total expenses increased by \$534,785, or 2.6%. The increase in revenue compared to the prior year was primarily the result of increases in the real property tax levy, basic state aid, operating grants providing additional state and federal aid to school lunch, and other revenues based on a large surplus payment received from the BTM Health Consortium.

The increase in instruction was due to increases in teacher salaries as well as allocation of pension expense and long term compensated absences partially offset by decreases in the allocation of other postemployment benefits compared to the prior year. The decrease in general support expenses is mainly due to bond issue costs in the prior year, as there were no new debt issue costs for the current year. The decrease in transportation is primarily due to a decrease in personnel expense related to transportation. The decreases in school lunch and community service resulted from an allocation of long term assets and liabilities to this function compared to the prior year. The decrease in interest stems from regular debt payments in accordance with debt amortization tables.

TIOGA 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

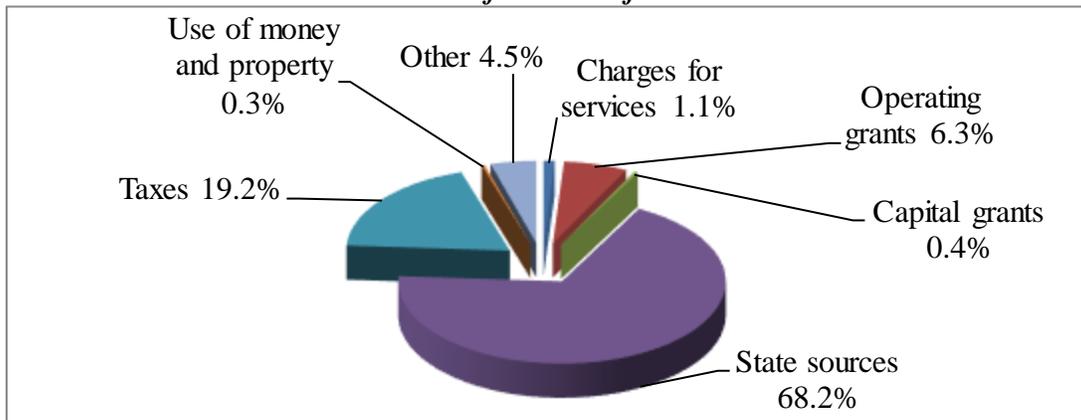
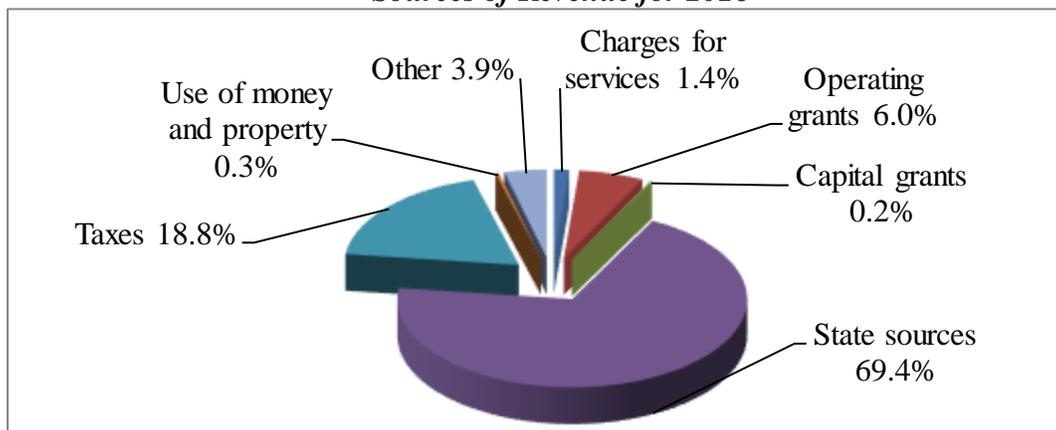


Figure 4

Sources of Revenue for 2016



TIOGA CENTRAL SCHOOL DISTRICT

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

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

Figure 5

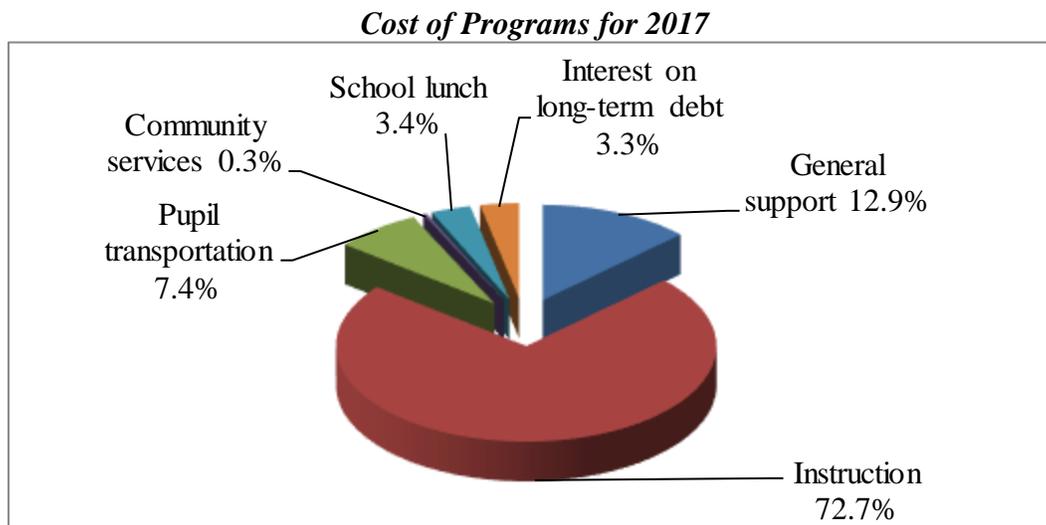
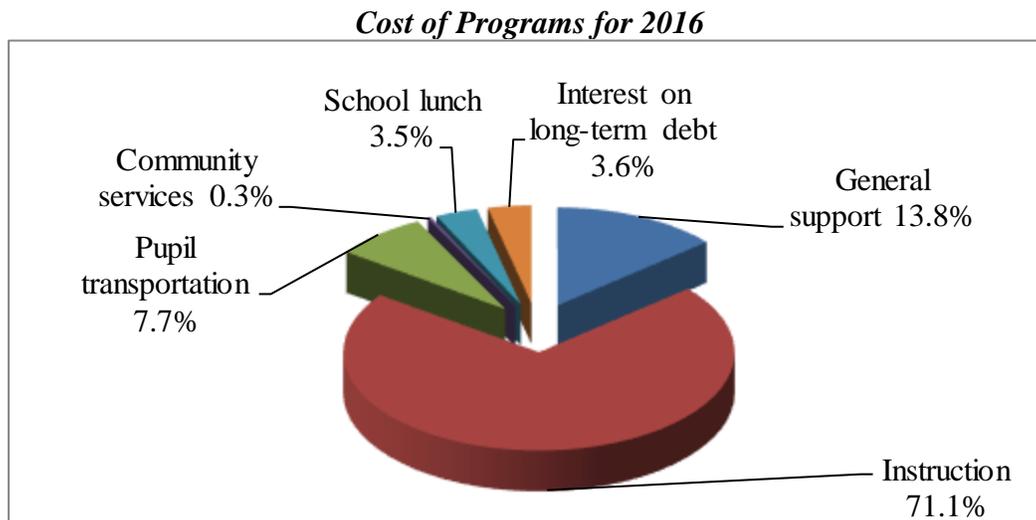


Figure 6



TIOGA 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 change in fund balances for the year for the School District's funds. The General Fund reported an unassigned fund balance of \$737,177 which is below 4% of next year's budget, the maximum allowed by New York State. The General Fund increase is mainly the result of an increase in revenues from the prior year. Capital Projects Fund increased as a result of transfers from the General Fund to fund capital projects, partially offset by ongoing capital projects expenditures. School Lunch Fund increased because revenues exceeded expenditures in the Child Nutrition Program for the current year.

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>	\$ 2,551,532	\$ 3,195,060	\$ 643,528
<i>School Lunch Fund</i>	29,884	100,734	70,850
<i>Debt Service Fund</i>	412,622	412,984	362
<i>Capital Project Renovation Fund</i>	230,782	619,783	389,001
<i>Total Governmental Funds</i>	\$ 3,224,820	\$ 4,328,561	\$ 1,103,741

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School District revised the expenditure budget several times. The adopted budget was revised for the carryover of the prior year's encumbrances of \$221,496.

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

The favorable variance on the revenue side is mainly attributable to higher than expected insurance recoveries due to a large surplus payment from the BTM Health Consortium, as well as a higher than expected refund for BOCES services. On the expenditure side, underexpenditures were primarily due to containment of various expenses.

TIOGA 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>	\$ 3,255,521	\$ 3,255,521	\$ 3,255,522	\$ 1
<i>Other tax items</i>	552,742	552,742	558,465	5,723
<i>State sources</i>	13,617,882	13,617,882	13,644,894	27,012
<i>Other, including financing sources</i>	560,182	560,182	1,025,220	465,038
Total Revenues and Other Financing Sources	\$ 17,986,327	\$ 17,986,327	\$ 18,484,101	\$ 497,774
Appropriated Fund Balances	421,496	421,496		
EXPENDITURES				
<i>General support</i>	\$ 2,355,673	\$ 2,021,508	\$ 1,926,605	\$ 94,903
<i>Instruction</i>	7,042,519	7,186,095	7,042,376	143,719
<i>Pupil transportation</i>	853,844	769,344	702,491	66,853
<i>Community service</i>	15,658	31,416	13,626	17,790
<i>Employee benefits</i>	5,146,717	4,826,753	4,820,428	6,325
<i>Debt service</i>	289,976	294,989	294,989	-
<i>Other financing uses</i>	2,703,436	3,277,718	3,272,835	4,883
Total Expenditures and Other Financing (Uses)	\$ 18,407,823	\$ 18,407,823	\$ 18,073,350	\$ 334,473

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. Net capital assets decreased \$(622,245), primarily due to depreciation expense exceeding capital outlay. Capital assets, net of accumulated depreciation of \$21,763,660, were \$25,191,148 at year end. Depreciation expense amounted to \$1,418,315 for the current year.

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2016-2017</i>
	<i>2016</i>	<i>2017</i>	
<i>Land</i>	\$ 292,759	\$ 292,759	\$ -
<i>Construction in progress</i>	1,021,471	1,194,926	173,455
<i>Buildings, net</i>	20,709,644	19,931,407	(778,237)
<i>Improvements, net</i>	1,480,492	1,391,072	(89,420)
<i>Equipment, net</i>	2,309,027	2,380,984	71,957
Total	\$ 25,813,393	\$ 25,191,148	\$ (622,245)

TIOGA 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	\$ 173,455
Building improvements	95,141
Buses	242,154
Equipment	279,999
Total additions	790,749
Plus net book value of disposed assets	5,321
Less depreciation expense	(1,418,315)
 Net Decrease in Capital Assets	 \$ (622,245)

Debt Administration

Long-term debt considered a liability of Governmental Activities, decreased by \$(1,996,360) in 2017, as shown in *Figure 10*. The decrease is related to the regular principal payments on long term debt in accordance with bond amortization schedules. Total indebtedness represented 48.8% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2016-2017</i>
	<i>2016</i>	<i>2017</i>	
<i>Serial bonds</i>	\$ 16,665,000	\$ 14,835,000	\$ (1,830,000)
<i>Statutory installment bonds</i>	573,443	543,277	(30,166)
<i>Premium on obligations</i>	1,450,894	1,314,700	(136,194)
<i>Total</i>	\$ 18,689,337	\$ 16,692,977	\$ (1,996,360)

Moody's Rating Committee assigned an A1 rating on the Tioga Central School District New York State Section 99-B Intercept School District Credit Enhancement Program General Obligation Bonds. In addition, an A2 underlying rating was assigned on Tioga Central School District General Obligation Bonds. This has been a solid rating for the past several years. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements.

TIOGA CENTRAL SCHOOL DISTRICT

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

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The School District does not currently have, nor anticipate, financial obligations due to litigation.
- The School District could also be impacted by increased enrollment due to the expansion at Tioga Downs. Potentially, families could move to the area to pursue industry-related employment opportunities. Available housing in the District will limit this impact. A recent enrollment study completed for the district indicates enrollment to trend down for the next decade. This is due to housing not being available for young families.
- The School District is in the process of selling Nichols Elementary School to a local municipality. There is adequate space presently at Tioga Elementary School to handle an influx of new students if needed.
- While the economic health of the local communities is projected to remain at current levels for the foreseeable future, it is not clear what the expansion of Tioga Downs may have on the school, community, and local economy.
- New industries in our neighboring district have provided additional employment opportunities within the Southern Tier that may positively impact future enrollment as well as the economic outlook within Tioga County.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Tioga Central 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 the Business Office, Tioga Central School District, Fifth Avenue, Tioga Center, NY.

TIOGA CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

ASSETS

Current Assets

Cash and cash equivalents - Unrestricted	\$ 2,109,370
Cash and cash equivalents - Restricted	658,283
Due from state and federal governments	616,487
Due from other governments	259,826
Due from fiduciary funds	2
Other receivables, net	9,173
Inventories	18,415
Prepaid expenses	480,133
Total Current Assets	4,151,689

Noncurrent Assets

Restricted cash	1,661,492
Capital assets, net:	
Land and construction in progress, nondepreciable	1,487,685
Depreciable capital assets, net	23,703,463
Total Noncurrent Assets	26,852,640

Total Assets

31,004,329

DEFERRED OUTFLOWS OF RESOURCES

Pensions	3,772,065
Deferred charges on defeased debt	993,787
Total Deferred Outflows of Resources	4,765,852

LIABILITIES

Current Liabilities

Accounts payable	530,139
Accrued liabilities	23,615
Due to other governments	361
Bond interest and matured bonds	21,084
Due to Teachers' Retirement System	648,510
Due to Employees' Retirement System	64,180
Compensated absences payable	206,275
Unearned revenues	8,005
Current portion of long-term obligations:	
Bonds payable	2,243,253
Total Current Liabilities	3,745,422

Noncurrent Liabilities

Bonds payable	14,449,724
Compensated absences payable	209,309
Other postemployment benefits liability	27,599,813
Net pension liability - Proportionate share	846,116
Total Noncurrent Liabilities	43,104,962
Total Liabilities	46,850,384

DEFERRED INFLOWS OF RESOURCES

Pensions	221,253
----------	---------

NET POSITION

Net investment in capital assets	9,564,477
Restricted	2,287,540
Unrestricted (deficit)	(23,153,473)
Total Net (Deficit)	\$ (11,301,456)

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

TIOGA CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES JUNE 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants		Capital Grants
General support	\$ 2,785,940	\$	\$	\$ (2,785,940)	
Instruction	15,588,494	58,289	727,810	57,413	(14,744,982)
Pupil transportation	1,594,815				(1,594,815)
Community services	56,498	10,216			(46,282)
School lunch program	721,667	160,028	523,987		(37,652)
Interest on debt	701,898				(701,898)
Total Functions and Programs	\$ 21,449,312	\$ 228,533	\$ 1,251,797	\$ 57,413	(19,911,569)
GENERAL REVENUES					
				3,255,522	
Real property taxes				558,465	
Real property tax items				64,599	
Use of money and property				13,565,186	
State sources				380,629	
Sale of property and compensation for loss				517,124	
Miscellaneous					
Total General Revenues				18,341,525	
Change in Net Position				(1,570,044)	
Total Net (Deficit) - Beginning of Year				(9,731,412)	
Total Net (Deficit) - End of Year				\$ (11,301,456)	

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

TIOGA CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash and cash equivalents - Unrestricted	\$ 2,094,539	\$ 14,831	\$
Cash and cash equivalents - Restricted	1,303,885		46,074
Due from other funds	426,013	2,604	
Due from state and federal governments	152,506	418,589	37,141
Due from other governments	259,826		
Due from fiduciary funds	2		
Other receivables, net	9,173		
Inventories			18,415
Prepaid expenses	480,133		
Total Assets	\$ 4,726,077	\$ 436,024	\$ 101,630
LIABILITIES			
Accounts payable	\$ 529,464	\$	\$
Accrued liabilities	21,074	2,006	535
Due to other funds	57,979	426,013	
Due to other governments			361
Bond interest and matured bonds payable	3,535		
Unearned revenues		8,005	
Due to Teachers' Retirement System	648,510		
Due to Employees' Retirement System	64,180		
Compensated absences payable	206,275		
Total Liabilities	1,531,017	436,024	896
FUND BALANCES			
Nonspendable	480,133		18,415
Restricted	1,244,973		82,319
Assigned	732,777		
Unassigned	737,177		
Total Fund Balances	3,195,060	-	100,734
Total Liabilities and Fund Balances	\$ 4,726,077	\$ 436,024	\$ 101,630

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

Major Funds			
Debt Service Fund	Capital Project Renovation Fund	Capital Project Bus Fund	Total Governmental Funds
\$	\$	\$	\$ 2,109,370
412,982	556,834		2,319,775
2	55,375		483,994
	8,251		616,487
			259,826
			2
			9,173
			18,415
			480,133
\$ 412,984	\$ 620,460	\$ -	\$ 6,297,175
\$	\$	\$	\$ 530,139
	675		23,615
	2		483,994
			361
			3,535
			8,005
			648,510
			64,180
			206,275
-	677	-	1,968,614
			498,548
412,984	619,783		2,360,059
			732,777
			737,177
412,984	619,783	-	4,328,561
\$ 412,984	\$ 620,460	\$ -	\$ 6,297,175

TIOGA CENTRAL SCHOOL DISTRICT

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

Fund Balances - Total Governmental Funds **\$ 4,328,561**

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	\$ 46,954,808	
Less accumulated depreciation	<u>(21,763,660)</u>	25,191,148

The School District's proportion of the collective net pension asset or liability is not reported in the funds.

TRS net pension (asset) liability - Proportionate share	\$ (351,035)	
ERS net pension liability - Proportionate share	<u>(495,081)</u>	(846,116)

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.

TRS deferred inflows - Pension	\$ (122,971)	
ERS deferred inflows - Pension	(98,282)	
TRS deferred outflows - Pension	3,399,498	
ERS deferred outflows - Pension	<u>372,567</u>	3,550,812

Long-term liabilities, including bonds payable and bond premium and deferred charges on defeased debt, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (15,378,277)	
Bond premium	(1,314,700)	
Deferred charges on defeased debt	<u>993,787</u>	(15,699,190)

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	\$ (17,549)	
Compensated absences	(209,309)	
Other postemployment benefits liability	<u>(27,599,813)</u>	<u>(27,826,671)</u>

Net (Deficit) of Governmental Activities **\$ (11,301,456)**

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

TIOGA 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	\$ 3,255,522	\$	\$
Real property tax items	558,465		
Charges for services	42,591		
Use of money and property	64,283		14
Sale of property and compensation for loss	375,308		
Miscellaneous	517,124	11,813	195
State sources	13,644,894	166,230	15,479
Medicaid reimbursement	25,914		
Federal sources		470,059	508,313
Sales - School lunch			160,028
Total Revenues	18,484,101	648,102	684,029
EXPENDITURES			
General support	1,881,752		219,357
Instruction	6,863,100	638,976	
Pupil transportation	693,843		
Community services	13,626	11,730	
Employee benefits	4,820,428		96,652
Debt service:			
Principal	272,320		
Interest	22,669		
Cost of sales			298,670
Capital outlay			
Total Expenditures	14,567,738	650,706	614,679
Excess (Deficiency) of Revenues Over Expenditures	3,916,363	(2,604)	69,350
OTHER FINANCING SOURCES AND (USES)			
Long-term debt issued			
Operating transfers in		2,604	1,500
Operating transfers (out)	(3,272,835)		
Total Other (Uses) Sources	(3,272,835)	2,604	1,500
Net Change in Fund Balances	643,528	-	70,850
Fund Balances - Beginning of Year	2,551,532	-	29,884
Fund Balances - End of Year	\$ 3,195,060	\$ -	\$ 100,734

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

Major Funds			
Debt Service Fund	Capital Project Renovation Fund	Capital Project Bus Fund	Total Governmental Funds
\$	\$	\$	\$ 3,255,522
			558,465
			42,591
302			64,599
			375,308
			529,132
	57,413		13,884,016
			25,914
			978,372
			160,028
302	57,413	-	19,873,947
			2,101,109
			7,502,076
			693,843
			25,356
			4,917,080
1,830,000			2,102,320
716,880			739,549
			298,670
	390,203	242,154	632,357
2,546,880	390,203	242,154	19,012,360
(2,546,578)	(332,790)	(242,154)	861,587
		242,154	242,154
2,546,940	721,791		3,272,835
			(3,272,835)
2,546,940	721,791	242,154	242,154
362	389,001	-	1,103,741
412,622	230,782	-	3,224,820
\$ 412,984	\$ 619,783	\$ -	\$ 4,328,561

TIOGA CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Total Governmental Funds **\$ 1,103,741**

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 exceeded capital outlay and disposals.

Capital additions	\$ 790,749	
Net book value of disposed assets	5,321	
Depreciation expense	<u>(1,418,315)</u>	(622,245)

Long-term debt proceeds, and related issue costs and deferred amounts on refunding, provide current financial resources to Governmental Funds, but issuing debt and the related premiums, increase long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Proceeds of debt	\$ (242,154)	
Principal payments on bonds	<u>2,102,320</u>	1,860,166

Long-term liabilities, such as those associated with employee benefits, are not reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. This is the (increase) in the amount that is reported in the Statement of Activities:

Compensated absences	\$ (209,309)	
Other postemployment benefits liability	<u>(3,728,152)</u>	(3,937,461)

Certain 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. These include the change in accrued interest, amortization of bond premiums, and deferred amounts from refunding bonds.

Amortization of premiums on obligations	\$ 136,194	
Deferred amounts from refunding bonds	(100,778)	
Change in accrued interest	<u>2,235</u>	37,651

Changes in the School District's proportionate share of net pension assets and liabilities have no effect on 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 related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (42,820)	
TRS	<u>30,924</u>	<u>(11,896)</u>

Net Change in Net (Deficit) of Governmental Activities **\$ (1,570,044)**

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

TIOGA CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2017

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents - Unrestricted	\$	\$ 78,669
Cash and cash equivalents - Restricted	126,268	
Investments - Restricted	111,062	
Total Assets	237,330	\$ 78,669
LIABILITIES		
Extraclassroom activity balances		\$ 69,197
Other liabilities		9,472
Total Liabilities	-	\$ 78,669
NET POSITION		
Restricted for scholarships	\$ 237,330	

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

TIOGA 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	\$ 27,125
Investment earnings	549
Total Additions	<u>27,674</u>
DEDUCTIONS	
Scholarships and awards	<u>30,775</u>
Total Deductions	<u>30,775</u>
Change in Net Position	(3,101)
Net Position - Beginning of Year	<u>240,431</u>
Net Position - End of Year	\$ <u><u>237,330</u></u>

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

TIOGA 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 the Tioga 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 School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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 Extraclassroom Activity Funds are included in the School District's reporting entity.

TIOGA CENTRAL SCHOOL DISTRICT

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

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

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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at Fifth Avenue, Tioga Center, NY. The School District accounts for assets held as an agent for various student organizations in an agency fund.

Joint Venture

The Tioga Central School District is one of 15 component School Districts in the Broome-Tioga 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. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State 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). In addition, component School Districts pay tuition or a service fee for programs in which its students participate.

Separate financial statement of Broome Tioga BOCES may be obtained by contacting the Business Office, Broome Tioga BOCES, 435 Glenwood Road, Binghamton, NY 13905-1699.

TIOGA 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

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 non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. 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 specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues 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: The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- Special Revenue Funds: Account for proceeds of specific revenue sources (other than capital projects) legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - Special Aid Fund: Used to account for proceeds received from state and federal grants restricted for special educational programs.
 - School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

TIOGA 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

- Debt Service Fund: Accounts for accumulation of resources and payment of principal and interest of long-term general obligation debt of governmental activities.
- Capital Project Renovation Funds: Accounts for financial resources used for renovation of Tioga Central School District buildings.
- Capital Project Bus Fund: Accounts for the purchase of buses for the School District.

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 Funds described below, are not included in the District-wide financial statements as their resources do not belong to the School District and are not available to be used.
- Agency Funds: Strictly custodial in nature and do 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 state aid is recognized in the fiscal year it is apportioned by the state. 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.

TIOGA 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 Company (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.

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 inventory 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.

A portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable as these assets are not in spendable form in the current period.

TIOGA CENTRAL SCHOOL DISTRICT

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

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

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.

Capital Assets

Capital assets with a historical cost greater than \$1,000 and a useful life of at least one year are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, historical costs have been estimated based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life
Buildings	20 - 40 years
Building improvements	20 years
Furniture and equipment	1 - 20 years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports 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 defeased debt 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 School District also reports deferred outflows related to pensions in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Note 10.

In addition to liabilities, the Statement of Net Position reports 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 will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions which are further described in Note 10.

TIOGA CENTRAL SCHOOL DISTRICT

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

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

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.

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, in accordance with the statement. See Note 11 for additional information.

TIOGA CENTRAL SCHOOL DISTRICT

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

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

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 also report unavailable revenues as a deferred inflow of resources 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 for unavailable revenues is removed and revenues are recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Overpayments and Collections in Advance

Overpayments and collections in advance 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 is removed and revenues are recorded.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgements, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

TIOGA 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 “net investment 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," which 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 endowments principal.

TIOGA 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

- **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.
- **Committed**: Consists of amounts subject to a purpose constraint imposed by formal action of the School District'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 School District'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 School District'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 may adopt resolutions to commit or assign fund balance. By resolution, fund balance of the School District may be committed for a specific source by formal action of the Board of Education. Furthermore, the Board of Education delegates authority to assign fund balance for a specific purpose to the Business Official of the School District. The Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

TIOGA 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 for each reserve fund. Reserves currently in use by the School District include the following:

- 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.
- Insurance Reserve (GML §6-n): 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.
- Mandatory Debt Service Reserve (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 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.

TIOGA 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

- 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.
- Retirement Contribution Reserve (GML §6-r) - Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 3, 2016. Taxes were collected during the period September 15, 2016 to November 16, 2016.

Uncollected real property taxes are subsequently enforced by Tioga County (the County). An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the 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.

TIOGA 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

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.
- 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."

TIOGA CENTRAL SCHOOL DISTRICT

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

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

Future Changes in Accounting Standards - Continued

- 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.

***Note 2* Participation in BOCES**

During the year ended June 30, 2017, the School District's share of BOCES income amounted to \$491,870. The School District was billed \$1,549,692, for BOCES administration and program costs. Financial statements for the Broome-Tioga BOCES are available from the BOCES administrative office at 435 Upper Glenwood Road, Binghamton, New York 13905.

***Note 3* Cash and Cash Equivalents and Investments - 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 \$5,263,219, including certificates of deposit, were either insured or collateralized with securities held by the pledging financial institution in the School District's name as required.

TIOGA CENTRAL SCHOOL DISTRICT

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

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

Restricted cash and investments at June 30, 2017 consisted of the following:

Restricted for debt service	\$	412,984
Restricted for capital		612,209
Restricted for school lunch		46,074
Restricted for General Fund reserves		1,244,973
Restricted for debt service - Sinking fund		3,535
Subtotal		2,319,775
Restricted for Private Purpose Trust Fund		237,330
Total	\$	2,557,105

The School District has investments in donated Scholarship Funds and a General Fund Certificate of Deposit. The School District 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, are reported as restricted investments, and are categorized as either:

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

Investments	Cost	Carrying Amount Fair Value	Type of Investment	Category
Private Purpose Trust Fund	\$ 111,062	\$ 111,062	Certificate of Deposit	(1)
	\$ 111,062	\$ 111,062		

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.

TIOGA CENTRAL SCHOOL DISTRICT

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

Note 4 Other Receivables

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

	Description	Amount
General Fund	Charges for services and refunds	\$ 9,173
Total		\$ 9,173

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	\$ 426,013	\$ 57,979	\$	\$ 3,272,835
Special Aid Fund	2,604	426,013	2,604	
School Lunch Fund			1,500	
Debt Service Fund	2		2,546,940	
Capital Project Renovation Fund	55,375	2	721,791	
Total	\$ 483,994	\$ 483,994	\$ 3,272,835	\$ 3,272,835

Interfund receivables and payables 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 Capital Funds, 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.

TIOGA CENTRAL SCHOOL DISTRICT

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

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	\$ 292,759	\$	\$	\$ 292,759
Construction in progress	1,021,471	173,455		1,194,926
Total Nondepreciable Historical Cost	<u>1,314,230</u>	<u>173,455</u>	<u>-</u>	<u>1,487,685</u>
Capital assets that are depreciated:				
Buildings	34,689,854			34,689,854
Improvements	3,537,635	95,141		3,632,776
Furniture and equipment	6,686,131	522,153	(63,791)	7,144,493
Total Depreciable Historical Cost	<u>44,913,620</u>	<u>617,294</u>	<u>(63,791)</u>	<u>45,467,123</u>
Total Historical Cost	<u>46,227,850</u>	<u>790,749</u>	<u>(63,791)</u>	<u>46,954,808</u>
Less accumulated depreciation:				
Buildings	(13,980,210)	(782,395)	4,158	(14,758,447)
Improvements	(2,057,143)	(184,562)	1	(2,241,704)
Furniture and equipment	(4,377,104)	(451,358)	64,953	(4,763,509)
Total Accumulated Depreciation	<u>(20,414,457)</u>	<u>(1,418,315)</u>	<u>69,112</u>	<u>(21,763,660)</u>
Total Historical Cost, Net	\$ <u>25,813,393</u>	\$ <u>(627,566)</u>	\$ <u>5,321</u>	\$ <u>25,191,148</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 25,465
Instruction	1,060,185
Pupil transportation	320,222
School lunch program	<u>12,443</u>
Total	\$ <u>1,418,315</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.

TIOGA CENTRAL SCHOOL DISTRICT

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

***Note 7* Short-term Debt - Continued**

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 deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued. The School District did not issue or redeem any deficiency 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. The School District has issued bonds to fund capital projects. 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 did not issue or redeem any BANs during the year.

***Note 8* Long-term Debt**

At June 30, 2017, the total outstanding indebtedness of the School District represented 48.8% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment 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.

TIOGA CENTRAL SCHOOL DISTRICT

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

Note 8 Long-term Debt - Continued

The following is a summary of the School District's bonds payable 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				
Building	11/23/2010	6/15/2020	2.00%-5.00%	\$ 3,130,000
Building	5/27/2016	6/15/2039	5.00%-5.125%	2,390,000
Building	6/14/2013	6/15/2024	0.50%-2.75%	435,000
Building	6/10/2015	6/15/2039	3.00%-5.00%	975,000
Building	5/27/2016	6/15/2030	2.00%-5.00%	7,905,000
Total Serial Bonds				14,835,000
Statutory Installment Bonds				
Bus #158	12/13/2013	6/15/2018	2.85%	23,421
Bus #159	12/13/2013	6/15/2018	2.85%	23,421
Bus #160	10/10/2013	6/15/2018	3.10%	23,053
Bus #161	10/10/2013	6/15/2018	3.10%	23,053
Bus #162	7/25/2014	6/15/2019	3.10%	30,637
Bus #163	7/25/2014	6/15/2019	3.10%	30,637
Bus #165	1/29/2016	6/15/2020	3.55%	76,011
Bus #166	1/29/2016	6/15/2020	3.55%	76,011
Bus #167	1/29/2016	6/15/2020	3.50%	43,309
Bus #168	9/19/2016	6/15/2021	2.35%	96,862
Bus #169	9/19/2016	6/15/2021	2.35%	96,862
Total Statutory Installment Bonds				543,277
Total				\$ 15,378,277

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

Interest paid	\$	739,549
Less interest accrued in the prior year		(23,319)
Plus interest accrued in the current year		21,084
Plus amortization of deferred charges on defeased debt		100,778
Less amortization of bond premium		(136,194)
Total	\$	701,898

TIOGA CENTRAL SCHOOL DISTRICT

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

Note 8 Long-term Debt - Continued

Interest rates on the serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

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	\$ 16,665,000	\$	\$ (1,830,000)	\$ 14,835,000	\$ 1,870,000
Statutory installment bonds	573,443	242,154	(272,320)	543,277	237,125
Subtotal	<u>17,238,443</u>	<u>242,154</u>	<u>(2,102,320)</u>	<u>15,378,277</u>	<u>2,107,125</u>
Premium on obligations	1,450,894		(136,194)	1,314,700	136,128
Total	<u>\$ 18,689,337</u>	<u>\$ 242,154</u>	<u>\$ (2,238,514)</u>	<u>\$ 16,692,977</u>	<u>\$ 2,243,253</u>

Deferred charges on defeased debt related to the 2016 bond refunding are amortized over the life of the bonds. Bond activities for the year is summarized below:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial bonds	\$ 1,094,565	\$	\$ 100,778	\$ 993,787	\$ 100,720
Total	<u>\$ 1,094,565</u>	<u>\$ -</u>	<u>\$ 100,778</u>	<u>\$ 993,787</u>	<u>\$ 100,720</u>

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

Year	Principal	Interest	Total
2018	\$ 2,107,125	\$ 669,386	\$ 2,776,511
2019	2,084,176	587,406	2,671,582
2020	2,103,540	498,610	2,602,150
2021	1,003,436	406,984	1,410,420
2022	1,000,000	359,778	1,359,778
2023-2027	3,050,000	1,173,684	4,223,684
2028-2032	1,605,000	677,686	2,282,686
2033-2037	1,675,000	311,868	1,986,868
2038-2042	750,000	38,976	788,976
Total	<u>\$ 15,378,277</u>	<u>\$ 4,724,378</u>	<u>\$ 20,102,655</u>

TIOGA CENTRAL SCHOOL DISTRICT

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

Note 8 Long-term Debt - Continued

On May 27, 2016 \$7,940,000 in general obligation bonds with variable interest rates ranging from 2.0% to 5.0% were issued to advance refund \$7,925,000 of outstanding bonds, with interest rates ranging from 3.0% to 5.125%. The net proceeds of \$9,054,326 (after payment of fiscal agent fees, original bond premium, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The outstanding principal on the defeased bonds was \$7,905,000 at June 30, 2017.

Note 9 Other Long-term Obligations

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

- **Compensated Absences:** Represent the value of the earned and unused portion of the liability for compensated absences. This liability is liquidated from the General and School Lunch Funds.
- **Other Postemployment Benefits:** Represents the expected obligation for the postretirement health care benefits program. See Note 11 for further information.
- **Net pension (asset) liability:** Represents the School District's proportionate share of New York State retirement plan's (asset) liability. See Note 10 for further information.

2016-2017 activity consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 151,831	\$ 263,753	\$	\$ 415,584	\$ 206,275
Net pension (asset) liability	(2,484,053)	3,330,169		846,116	
Other postemployment benefits liability	23,871,661	4,995,234	(1,267,082)	27,599,813	
Total	\$ 21,539,439	\$ 8,589,156	\$ (1,267,082)	\$ 28,861,513	\$ 206,275

TIOGA 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 public employee 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, New York 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

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, New York 12244.

TIOGA 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

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	\$ 234,420	\$ 670,185
2016	257,975	860,426
2015	281,863	781,640

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

At June 30, 2017, the School District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The School District's proportionate share of the net pension 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 derived from reports provided to the School District by the ERS and TRS Systems.

TIOGA 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

	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	495,081	351,035
Plan's total net pension (asset) liability	0.0052689%	0.0327758%

For the year ended June 30, 2017, the School District recognized pension expense of \$283,418 for ERS and \$579,382 for TRS in the District-wide financial statements. At June 30, 2017 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 12,406	\$	\$ 75,181	\$ 114,036
Changes of assumptions	169,138	1,999,720		
Net differences between projected and actual earnings on pension plan investments	98,888	789,312		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	27,955	737	23,101	8,935
School District's contributions subsequent to the measurement date	64,180	609,729		
Total	\$ 372,567	\$ 3,399,498	\$ 98,282	\$ 122,971

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) 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	\$ 93,534	\$ 242,889
2019	93,534	242,889
2020	87,506	855,890
2021	(64,469)	665,168
2022		304,381
Thereafter		355,581

TIOGA 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.

TIOGA 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 - Continued

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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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.

Measurement date	ERS March 31, 2017	TRS 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%

TIOGA 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

Discount Rate

The discount rate used to calculate the total pension (asset) 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 on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

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

The following presents the School District's proportionate share of the net pension (asset) 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 higher than the current rate:

ERS	1% (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of net pension (asset) liability	\$ 1,581,191	\$ 495,081	\$ (423,223)

TRS	1% (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of net pension (asset) liability	\$ 4,580,052	\$ 351,035	\$ (3,196,042)

Pension Plan Fiduciary Net Position

The components of the current-year net pension 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%

TIOGA 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

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 \$64,180.

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 paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$648,510.

Effect on Net Position

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

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension liability	\$ (909,893)	\$ 414,812	\$ (495,081)
Deferred outflows of resources	854,246	(481,679)	372,567
Deferred inflows of resources	(122,329)	24,047	(98,282)
Subtotal	(177,976)	(42,820)	(220,796)
TRS:			
Net pension (asset) liability	3,393,946	(3,744,981)	(351,035)
Deferred outflows of resources	671,034	2,728,464	3,399,498
Deferred inflows of resources	(1,170,412)	1,047,441	(122,971)
Subtotal	2,894,568	30,924	2,925,492
Total	\$ 2,716,592	\$ (11,896)	\$ 2,704,696

TIOGA CENTRAL SCHOOL DISTRICT

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

***Note 11* Other Postemployment Benefits**

Postemployment Benefits Other than Pensions

The School District follows GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” An actuarial valuation of Tioga Central School District Postretirement Health Care Benefits Program (the Plan) was performed as of July 1, 2016 for the fiscal year ended June 30, 2017 and July 1, 2014 for the fiscal years ended June 30, 2016 and 2015.

Plan Description - The Plan is an agent multiple employer, defined benefit healthcare plan administered by the School District. The Plan provides medical and dental benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated each three-year period. 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 pursuant to applicable collective bargaining and employment agreements. The required contribution is based on projected pay-as-you-go financing requirements and varies depending on the applicable agreement.

For the year ended June 30, 2017, the School District contributed \$1,573,440 on behalf of 118 retirees to the Plan for current premiums. The expected employer contribution of \$1,267,082 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. The costs of administering the Plan are paid by the School District.

The School District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

TIOGA CENTRAL SCHOOL DISTRICT

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

Note 11 Other Postemployment Benefits - Continued

Postemployment Benefits Other than Pensions - Continued

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

Normal cost	\$	1,940,099
Amortization of unfunded actuarial accrued liability (UAAL)		3,740,311
Total Annual Required Contribution		5,680,410
Interest on net OPEB obligation		835,508
Adjustment to annual required contribution		(1,520,684)
Annual OPEB Cost (Expense)		4,995,234
Expected employer contributions		(1,267,082)
Increase in Net OPEB Obligation		3,728,152
 Net OPEB Obligation - July 1, 2016		 23,871,661
 Net OPEB Obligation - June 30, 2017	\$	27,599,813

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year then ended 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	\$ 4,995,234	25.4%	\$ 27,599,813
6/30/2016	5,856,729	24.7%	23,871,661
6/30/2015	5,632,221	24.9%	19,459,336

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$56,729,757; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$6,450,000 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 880%.

TIOGA CENTRAL SCHOOL DISTRICT

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

***Note 11* Other Postemployment Benefits - Continued**

Postemployment Benefits Other than Pensions - Continued

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. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, 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.

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, 2016, Actuarial Valuation Report, the most recent actuarial valuation date, the projected unit 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. The actuarial assumptions included an annual discount rate of 3.5%. Additional actuarial assumptions included an annual medical cost trend rate of 7.0% initially, ending at an ultimate rate of 3.94% after 70 years. The remaining amortization period of the UAAL was 22 years.

***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.

TIOGA CENTRAL SCHOOL DISTRICT

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

***Note 12* Commitments and Contingencies - Continued**

Risk Financing and Related Insurance - Continued

Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by the Broome-Tioga health insurance consortium. 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. Plan members include 18 school districts, with the School District bearing a proportionate 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 claims costs depend on complex factors, the process used in computing claims 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 claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2017, the Tioga Central School District incurred premiums or contribution expenditures totaling \$3,375,942.

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.

TIOGA 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 balance in the governmental funds was as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Debt Service Fund	Capital Fund Buses	Capital Fund Renovation
Nonspendable						
Prepaid Expenses	\$ 480,133	\$	\$	\$	\$	\$
Inventory			18,415			
Total Nonspendable Fund Balance	\$ 480,133	\$ -	\$ 18,415	\$ -	\$ -	\$ -
Restricted						
Retirement contribution reserve	889,391					
Insurance reserve	177,381					
Employee benefit accrued liability reserve	164,672					
Capital	13,529					547,264
Restricted for unspent debt proceeds						72,519
School lunch			82,319			
Debt				412,984		
Total Restricted Fund Balance	\$ 1,244,973	\$ -	\$ 82,319	\$ 412,984	\$ -	\$ 619,783
Assigned						
Appropriated for next year's budget	\$ 500,000	\$	\$	\$	\$	\$
Encumbered for:						
General support	44,853					
Instruction	179,276					
Pupil transportation	8,648					
Total Assigned Fund Balance	\$ 732,777	\$ -	\$ -	\$ -	\$ -	\$ -

Note 14 Restricted Fund Balances

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

General Fund	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Insurance reserve	\$ 177,239	\$	\$ 142	\$	\$ 177,381
Retirement contribution reserve	888,850		541		889,391
Employee benefit accrued liability reserve	164,609		63		164,672
Capital reserve	13,391	400,000	138	(400,000)	13,529
Total Reserved Fund Balance	\$ 1,244,089	\$ 400,000	\$ 884	\$ (400,000)	\$ 1,244,973

Note 15 Reclassification

Certain amounts presented for the year ended June 30, 2016 have been reclassified to conform to current year's presentation.

TIOGA CENTRAL SCHOOL DISTRICT

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

Note 16 Stewardship, Compliance and Accountability

Deficit Net Position

At June 30, 2017 the District-wide Statement of Net Position had an unrestricted net deficit of \$(23,153,473). This is the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability. (See Note 11.) The deficit is not expected to be eliminated during the normal course of operations.

Note 17 Tax Abatements

For the year ended June 30, 2017, property in the School District was subject to property tax abatements negotiated by the Tioga County Industrial Development Agency (TCIDA), and the Town of Nichols (the Town).

TCIDA enters into PILOT agreements with businesses within Tioga County under New York State General Municipal Law 858. Economic development agreements entered into by TCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which TCIDA 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.

The Town entered into a property tax abatement agreement with a local business under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town.

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

	<u>Taxable Assesed Value</u>	<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Tioga County Industrial Development Agency					
Tioga Downs parking garage	\$ 1,149,835	51.23	\$ 58,903	\$ 5,890	\$ 53,013
Town of Nichols					
Schoolhouse Apartments	60,000	51.23	3,074	2,079	995
Total PILOT Agreements	<u>\$ 1,209,835</u>		<u>\$ 61,977</u>	<u>\$ 7,969</u>	<u>\$ 54,008</u>

Note 18 Subsequent Events

On June 21, 2017 the Board approved the sale of the old Nichols Elementary Building at a cost of \$250,000 to the Town of Nichols. The sale was pending closing as of June 30, 2017 and is expected to be finalized in the 2017-2018 fiscal year.

TIOGA 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	\$ 3,255,521	\$ 3,255,521	\$ 3,255,522	\$ 1
Real property tax items	552,742	552,742	558,465	5,723
Charges for services	20,275	20,275	42,591	22,316
Use of money and property	60,000	60,000	64,283	4,283
Sale of property and compensation for loss	27,428	27,428	375,308	347,880
Miscellaneous	452,479	452,479	517,124	64,645
Total Local Sources	4,368,445	4,368,445	4,813,293	444,848
State sources	13,617,882	13,617,882	13,644,894	27,012
Medicaid reimbursement			25,914	25,914
Total Revenues	17,986,327	17,986,327	\$ 18,484,101	\$ 497,774
Appropriated Fund Balance	200,000	200,000		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	221,496	221,496		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	\$ 18,407,823	\$ 18,407,823		

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

TIOGA 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	\$ 14,578	\$ 14,577
Central administration	176,614	176,614
Finance	282,194	278,826
Staff	20,800	20,500
Central services	1,714,702	1,383,113
Special items	146,785	147,878
Total General Support	2,355,673	2,021,508
Instruction		
Instruction, administration and improvement	520,130	550,298
Teaching - Regular school	4,157,537	4,299,996
Programs for children with handicapping conditions	1,229,988	1,055,090
Occupational education	218,868	248,874
Teaching - Special school	1,000	1,085
Instructional media	272,108	371,183
Pupil services	642,888	659,569
Total Instruction	7,042,519	7,186,095
Pupil Transportation	853,844	769,344
Community Services	15,658	31,416
Employee Benefits	5,146,717	4,826,753
Debt Service		
Principal	269,779	272,320
Interest	20,197	22,669
Total Debt Service	289,976	294,989
Total Expenditures	15,704,387	15,130,105
OTHER FINANCING USES		
Operating transfers out	2,703,436	3,277,718
Total Expenditures and Other Financing Uses	\$ 18,407,823	\$ 18,407,823

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>
\$ 11,667	\$	\$ 2,910
176,164		450
271,385		7,441
13,192		7,308
1,263,466	44,853	74,794
145,878		2,000
1,881,752	44,853	94,903
535,331	3,408	11,559
4,119,417	141,137	39,442
1,014,193	6,107	34,790
248,874		-
389		696
353,138	14,058	3,987
591,758	14,566	53,245
6,863,100	179,276	143,719
693,843	8,648	66,853
13,626		17,790
4,820,428		6,325
272,320		-
22,669		-
294,989	-	-
14,567,738	232,777	329,590
3,272,835	-	4,883
17,840,573	\$ <u>232,777</u>	\$ <u>334,473</u>
643,528		
2,551,532		
\$ <u><u>3,195,060</u></u>		

TIOGA CENTRAL SCHOOL DISTRICT

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

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2017	7/1/2016	\$ -	\$ 56,729,757	\$ 56,729,757	0.0%	\$ 6,450,000	880%
2016	7/1/2014	-	61,145,470	61,145,470	0.0%	6,100,000	1002%
2015	7/1/2014	-	58,461,551	58,461,551	0.0%	6,100,000	958%
2014	7/1/2012	-	54,028,601	54,028,601	0.0%	6,042,000	894%
2013	7/1/2012	-	51,118,270	51,118,270	0.0%	5,955,719	858%

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

TIOGA CENTRAL SCHOOL DISTRICT

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

	2017	2016	2015
Contractually required contribution	\$ 234,420	\$ 257,975	\$ 281,863
Contributions in relation to the contractually required contribution	234,420	257,975	281,863
Contribution deficiency (excess)	-	-	-
School District's covered payroll	1,550,455	1,506,778	1,510,236
Contributions as a percentage of covered payroll	15.1%	17.1%	18.7%

* Information not readily available

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

	2017	2016	2015
Contractually required contribution	\$ 609,729	\$ 670,185	\$ 860,426
Contributions in relation to the contractually required contribution	609,729	670,185	860,426
Contribution deficiency (excess)	-	-	-
School District's covered payroll	5,202,466	5,054,186	4,908,306
Contributions as a percentage of covered payroll	11.7%	13.3%	17.5%

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 341,070	\$ 298,206	\$ 231,994	\$ 221,112	\$ 136,131	\$ 133,501	\$ 140,860
341,070	298,206	231,994	221,112	136,131	133,501	140,860
-	-	-	-	-	-	-
1,582,724	*	*	*	*	*	*
21.5%	N/A	N/A	N/A	N/A	N/A	N/A

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 781,640	\$ 567,569	\$ 422,329	\$ 328,950	\$ 393,592	\$ 426,237	\$ 441,773
781,640	567,569	422,329	328,950	393,592	426,237	441,773
-	-	-	-	-	-	-
4,810,092	4,793,657	3,801,341	3,816,125	6,358,514	5,586,330	5,060,401
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

TIOGA CENTRAL SCHOOL DISTRICT

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

	2017	2016	2015
School District's proportion of the net pension (asset) liability	0.0052689%	0.0056690%	0.0032705%
School District's proportionate share of the net pension (asset) liability	\$ 495,081	\$ 909,893	\$ 199,537
School District's covered payroll during the measurement period	1,542,119	1,494,997	1,515,316
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	32.1%	60.9%	13.2%
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 (ASSET) LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	0.0327758%	0.032676%	0.016891%
School District's proportionate share of the net pension (asset) liability	\$ 351,035	\$ (3,393,946)	\$ (3,627,338)
School District's covered payroll during the measurement period	5,054,186	4,908,306	4,810,093
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	6.9%	-69.1%	-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

TIOGA 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	\$ 18,186,327
Carryover Encumbrances	221,496
Original budget	<u>18,407,823</u>
Final Budget	\$ <u>18,407,823</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.

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.

TIOGA 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 actual gain and 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. Tier 6 benefit changes were first included in the 2012 actuarial valuation.

TIOGA 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 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 on 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.

TIOGA 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:

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.										
Asset valuation method	Five-year phased in deferred recognition of 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 subject to the five-year phase in.										
Inflation	2.5%										
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Service</u></th> <th style="text-align: center;"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">4.72%</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">3.46%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">2.37%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">1.90%</td> </tr> </tbody> </table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.										
Projected cost of living adjustments	1.5% compounded annually										

TIOGA CENTRAL SCHOOL DISTRICT

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

Capital assets, net	\$ <u>25,191,148</u>
Add:	
Amounts deferred on refunding	<u>993,787</u>
Unspent debt proceeds	<u>72,519</u>
Deduct:	
Premium on bonds payable	<u>(1,314,700)</u>
Short-term portion of bonds payable	<u>(2,107,125)</u>
Long-term portion of bonds payable	<u>(13,271,152)</u>
Net Investment in Capital Assets	\$ <u><u>9,564,477</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
Tioga Central School District
Tioga Center, 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 the Tioga 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 20, 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 the 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 from 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 20, 2017

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

Board of Education
Tioga Central School District
Tioga Center, New York

Report on Compliance for Each Major Federal Program

We have audited the Tioga 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, Tioga 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 20, 2017

TIOGA 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				
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021173355	\$	\$ 194,995
Improving Teacher Quality State Grants	84.367	0147173355		40,867
Special Education Cluster:				
Special Education - Grants to States	84.027	0032170979		225,842
Special Education - Preschool Grants	84.173	0033170979		8,355
Total Special Education Cluster				<u>234,197</u>
Total U.S. Department of Education				<u>470,059</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch	10.555	006731		369,537
School Breakfast Program	10.553	006731		128,068
Summer Food Service Program	10.559	006731		10,708
Total U.S. Department of Agriculture and Child Nutrition Cluster				<u>508,313</u>
Total Expenditures of Federal Awards			\$ - \$	<u>978,372</u>

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

TIOGA 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 Uniform Guidance, *Audits of State and Local Governments*, and *Non-Profit Organizations*. 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 minimus indirect cost rate.

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The Tioga Central 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 Tioga Central School District received \$48,023 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **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. No amounts were provided to subrecipients.

TIOGA 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 200.516(a)?

___ yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555, and 10.559

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