

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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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 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, Schedules of Revenues and Expenditures Compared to Budget (Non-GAAP) - General Fund, the Schedule of Funding Progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes to required supplementary information on pages 4-4j and 47-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 56-58 is presented for purposes of additional analysis and is not a required part of the 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 October 12, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

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
October 12, 2017

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

- The School District ended the year with net position of \$6,641,245, compared to \$7,461,750 in 2016. Total expenses exceeded total revenues in 2017 by \$820,505, compared to an excess revenues of \$786,711 in 2016.
- During 2017, fund balance in the General Fund decreased \$(99,517), based on the excess of expenditures over revenue. Total General Fund balance, including reserves, decreased from \$4,086,431 at the end of 2016 to \$3,986,914 at June 30, 2017. General Fund expenditures were under budget by \$812,945 in 2017.
- Outstanding debt of the School District, both short-term and long-term, at June 30, 2017 was \$19,826,618; a decrease of \$(2,802,097) from the prior year. This decrease stems from principal payments made during the current year.
- The School District complies with Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the School District to record \$15,988,373 in other postemployment benefits liability on the June 30, 2017 Statement of Net Position, an increase of \$2,486,003 from the prior year.
- The School District complies with Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Current year recognition resulted in a reduction of pension expenses of \$(7,913), compared to a reduction of \$(1,095,760) in the prior year.

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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

- 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 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 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 and a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits.

District-wide Statements

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets and liabilities. 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 statements report the School District's net position and how it has changed. Net position - the difference between the School District's assets, deferred inflows of resources and deferred outflows of resources and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

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

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Governmental Fund Financial Statements

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds financial 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 statements, additional information following the Governmental Funds 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 \$(820,505). Our analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

SPENCER-VAN ETTEN 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>	\$ 11,041,754	\$ 3,230,304	\$ (7,811,450)
<i>Noncurrent assets</i>	7,487,625	3,316,806	(4,170,819)
<i>Capital assets, net</i>	28,075,775	34,364,380	6,288,605
<i>Total Assets</i>	46,605,154	40,911,490	(5,693,664)
<i>Deferred charges on defeased debt</i>	280,360	212,997	(67,363)
<i>Pensions</i>	1,787,705	4,952,895	3,165,190
<i>Total Deferred Outflows of Resources</i>	2,068,065	5,165,892	3,097,827
<i>Current liabilities</i>	13,008,196	3,683,435	(9,324,761)
<i>Noncurrent liabilities</i>	26,508,868	35,394,570	8,885,702
<i>Total Liabilities</i>	39,517,064	39,078,005	(439,059)
<i>Pensions</i>	1,694,405	358,132	(1,336,273)
<i>Total Deferred Inflows of Resources</i>	1,694,405	358,132	(1,336,273)
<i>Net investment in capital assets</i>	13,552,916	14,809,366	1,256,450
<i>Restricted</i>	3,099,058	3,886,633	787,575
<i>Unrestricted</i>	(9,190,224)	(12,054,754)	(2,864,530)
<i>Total Net Position</i>	\$ 7,461,750	\$ 6,641,245	\$ (820,505)

The decrease in current assets is primarily due to a decrease in unspent debt proceeds in the current year. The decrease in noncurrent assets and deferred inflows of resources - pensions, along with the increase in deferred outflows of resources - pensions, is related to changes in the actuarially determined proportionate share of the pension systems plans net pension liability and related deferred outflows and inflows of resources. The increase in net capital assets is a result of capital outlay in exceeding depreciation expense in the current year.

The decrease in current liabilities was primarily the result of the conversion of the prior year short-term BAN to permanent long-term financing during the current year. Noncurrent liabilities increased due to the increase in other postemployment benefits liability of \$2,486,003, and issuance of a new bond; offset by principal payments on bonds.

The increase in net investment in capital assets was primarily due to the net effect of capital additions and debt payments offset by depreciation expense. Increases in restricted fund balance primarily reflect an increase of General Fund reserve accounts and amounts restricted for capital in the Capital Projects Fund. The net effect of the School District's activities resulted in an increase in unrestricted net (deficit) of \$(2,864,530). The increase is primarily a result of current year other postemployment benefits expense of \$2,486,003.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 122,694	\$ 119,201	\$ (3,493)
<i>Operating grants and contributions</i>	1,164,241	1,271,885	107,644
<i>General Revenues:</i>			
<i>Real property taxes</i>	5,557,545	5,600,904	43,359
<i>Real property tax items</i>	1,112,625	1,112,382	(243)
<i>Unrestricted State sources</i>	13,848,052	13,843,352	(4,700)
<i>Use of money and property</i>	16,496	13,376	(3,120)
<i>Other general revenues</i>	401,070	499,977	98,907
Total Revenues	\$ 22,222,723	\$ 22,461,077	\$ 238,354
PROGRAM EXPENSES			
<i>General support</i>	\$ 3,171,864	\$ 3,417,168	\$ 245,304
<i>Instruction</i>	15,846,210	17,337,924	1,491,714
<i>Pupil transportation</i>	1,409,788	1,490,013	80,225
<i>Community service</i>	33,181	36,934	3,753
<i>School lunch program</i>	500,255	528,071	27,816
<i>Interest on debt</i>	474,654	471,472	(3,182)
Total Expenses	\$ 21,435,952	\$ 23,281,582	\$ 1,845,630
INCREASE (DECREASE) IN NET POSITION			
	\$ 786,771	\$ (820,505)	\$ (1,607,276)

Total revenues for the School District's Governmental Activities increased by \$238,354, or 1.07%, while total expenses increased \$1,845,630, or 8.61%. The increase in revenue is primarily a result of increased refunds for BOCES and other general revenues. The increase in expenses is primarily due to a significant decrease in pension expense reductions based on changes in assumptions for the NYSTRS pension plan compared to the prior year.

SPENCER-VAN ETTEN 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

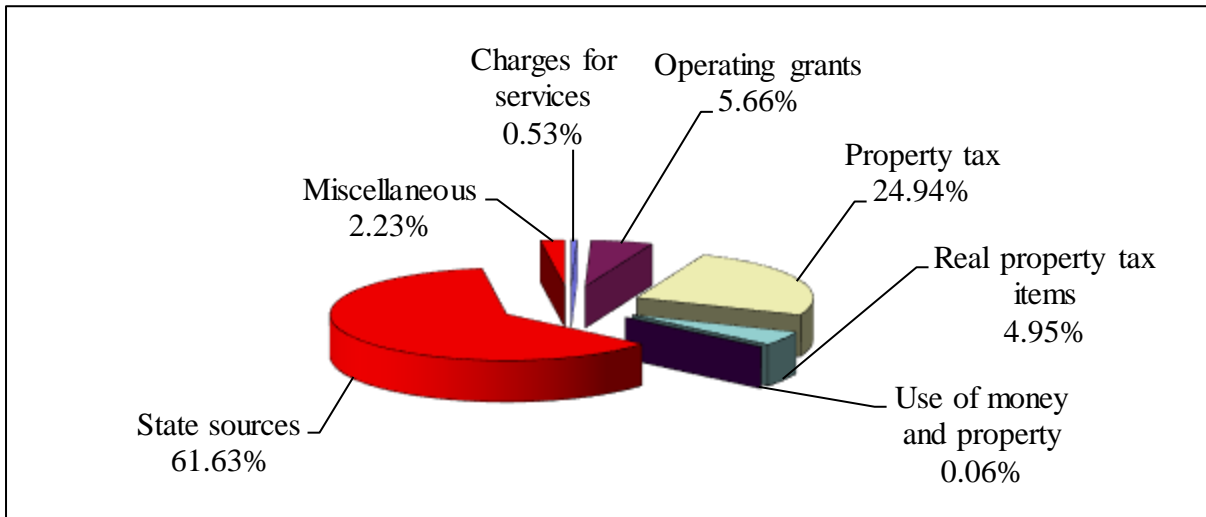
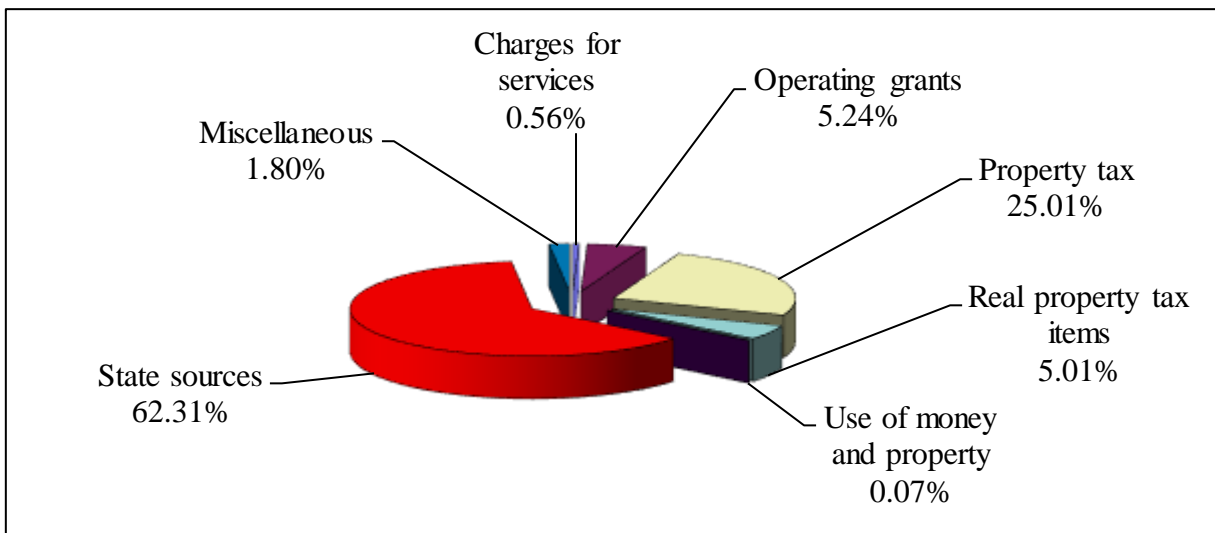


Figure 4

Sources of Revenue for 2016



SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

Figure 5

Cost of Programs for 2017

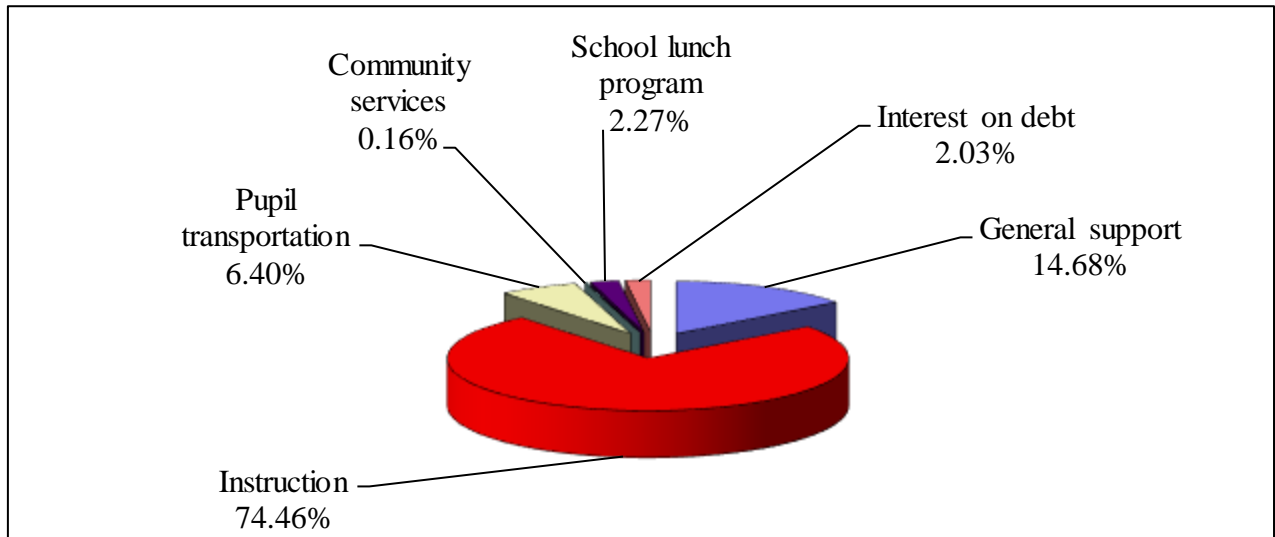
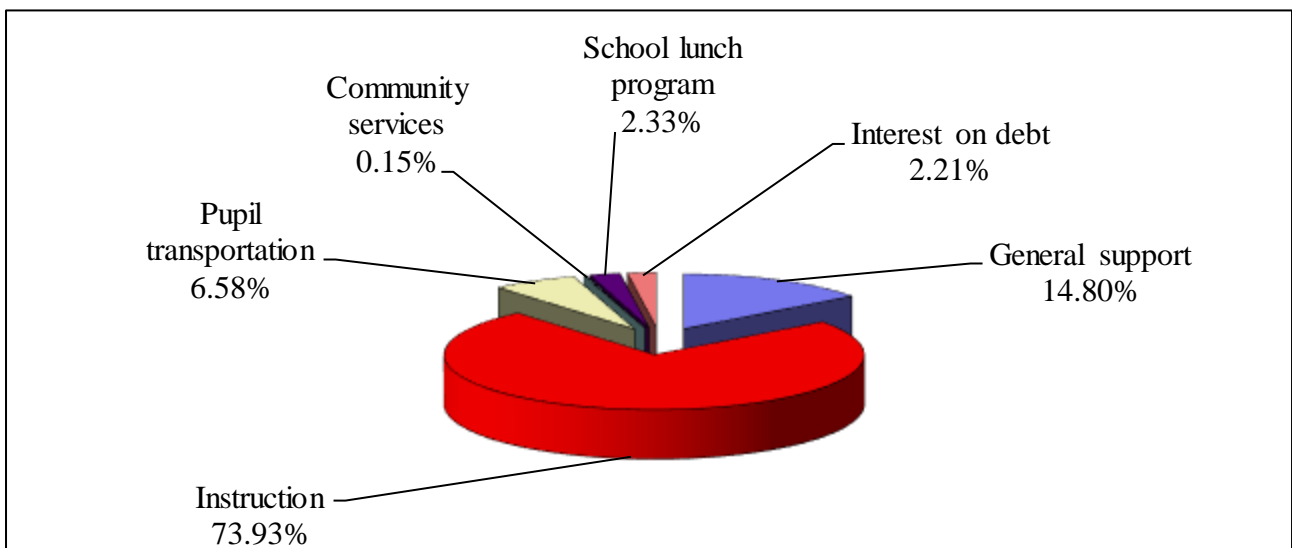


Figure 6

Cost of Programs for 2016



SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined balance of \$5,226,187, an increase of \$1,748,529 from the prior year's total fund balance of \$3,477,658. The increase is primarily attributable to revenues in excess of expenditures and the conversion of BANs to permanent financing during the current year in the Capital Projects Fund.

Figure 7

<i>Governmental Fund Balances (Deficits)</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>General Fund</i>	\$ 4,086,431	\$ 3,986,914	\$ (99,517)
<i>School Lunch Fund</i>	19,882	15,912	(3,970)
<i>Debt Service Fund</i>	580,744	594,927	14,183
<i>Capital Projects Fund</i>	(1,209,399)	628,434	1,837,833
<i>Total Governmental Fund Fund Balance</i>	\$ 3,477,658	\$ 5,226,187	\$ 1,748,529

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves all budgetary transfers which revise School District budget line items. These budget amendments consist of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2017. In addition to these transfers, the voter approved budget was increased by \$35,812 for appropriations for sale of surplus equipment, \$12,830 for insurance recoveries, \$76,122 for refunds of prior year expenses, and \$400,000 for capital project funding. Actual charges to appropriations (expenditures) were below final budget amounts by \$812,945, which includes carry-over encumbrances. Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2017.

SPENCER-VAN ETTEN 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>	\$ 5,591,309	\$ 5,591,309	\$ 5,600,904	\$ 9,595
<i>Other tax items</i>	1,121,000	1,121,000	1,112,382	(8,618)
<i>State sources</i>	14,155,536	14,155,536	13,843,352	(312,184)
<i>Other, including financing sources</i>	382,000	506,764	678,036	171,272
Total Revenues and Other Financing Sources	\$ 21,249,845	\$ 21,374,609	\$ 21,234,674	\$ (139,935)
Appropriated Fund Balances, Appropriated Reserves and Encumbrances	\$ 490,147	\$ 890,147		
EXPENDITURES				
<i>General support</i>	\$ 2,517,691	\$ 2,569,029	\$ 2,463,619	\$ 105,410
<i>Instruction</i>	9,620,165	9,509,528	9,390,081	119,447
<i>Pupil transportation</i>	775,473	1,163,321	1,148,291	15,030
<i>Employee benefits</i>	5,572,810	5,402,014	5,051,383	350,631
<i>Debt service</i>	3,133,853	3,445,084	3,244,879	200,205
<i>Other financing (uses)</i>	120,000	175,780	153,558	22,222
Total Expenditures and Other Financing (Uses)	\$ 21,739,992	\$ 22,264,756	\$ 21,451,811	\$ 812,945

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the School District had invested in a broad range of capital assets. This amount represents a net increase (including additions, disposals and accumulated depreciation) of \$6,288,605 from last year.

Figure 9

<i>Changes in Net Capital Assets</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>Land</i>	\$ 40,439	\$ 40,439	\$ -
<i>Construction in progress</i>	1,759,400	7,665,981	5,906,581
<i>Buildings, net</i>	23,950,991	24,316,951	365,960
<i>Equipment, net</i>	2,324,945	2,341,009	16,064
Totals	\$ 28,075,775	\$ 34,364,380	\$ 6,288,605

SPENCER-VAN ETTEN 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:

Other equipment	\$ 37,728
Buses and vehicles	438,241
Capital outlay	7,206,236
Total Additions	7,682,205
Less depreciation expense	(1,330,175)
Less retirements, reclassifications, and disposals, net of accumulated depreciation	(63,425)
Net Change in Capital Assets, Net	\$ 6,288,605

Debt Administration

Debt, both short-term and long-term, considered a liability of Governmental Activities, decreased by \$(2,802,097) in 2017, as shown in *Figure 10*. During the current year, the School District converted its short-term project financing (BAN) into permanent financing, as a serial bond. The net decrease in debt resulted from ongoing payments on existing debt. Total indebtedness represented 59.0% 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</i>
	<i>2016</i>	<i>2017</i>	<i>2016-2017</i>
<i>Serial bonds</i>	\$ 13,546,329	\$ 19,826,618	\$ 6,280,289
<i>BANs</i>	9,082,386		(9,082,386)
<i>Totals</i>	\$ 22,628,715	\$ 19,826,618	\$ (2,802,097)

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

Other obligations of the School District include accrued vacation pay and sick leave, other postemployment benefits for retired employees, and retirement system amortization due for retirement contributions. More detailed information about the School District's long-term obligations is presented in the notes to the financial statements.

The School District's bond rating is A1, which did not change from the prior year.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The \$9.9 million capital project is close to completion at this time. Approved by the voters on December 9, 2014, construction on Phase 1 was completed in October 2015. Phase 2 received approval from NYSED in April 2016, work began in June 2016 and is expected to be complete in October 2017.
- The School District permanently financed the capital project through the sale of an \$8.5 million bond in June with a net interest cost of less than 2.5%.
- Rates announced by the New York State Teachers' Retirement System are expected to decrease, which will result in a budgetary decrease for next year.
- The School District will again be receiving the Statewide Universal Full-Day Prekindergarten Program Grant, allowing the School District to continue with full-day classes in 2017-18. The District is also receiving the Expanded Pre-K grant for 3-year olds with full day classes continuing in 2017-18.
- The District is receiving the Community Schools Aid set-aside for 2017-18 in the amount of \$76,108. Community Schools are public schools that emphasize family engagement, strong community partnerships and additional supports for students and families. Community Schools are designed to counter environmental factors that impede student achievement.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Bradley in the District Office, SAP, 16 Darts Cross Road, Spencer, New York 14883.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

ASSETS

Current Assets

Cash - Unrestricted	\$ 1,791,212
Cash - Restricted	<u>130,285</u>
Receivables:	
State and federal aid	<u>554,317</u>
Due from other governments	<u>486,910</u>
Due from Fiduciary Funds	<u>199,261</u>
Other	<u>45,516</u>
Inventories	<u>19,625</u>
Prepaid items	<u>3,178</u>
Total Current Assets	<u>3,230,304</u>

Noncurrent Assets

Restricted cash	<u>3,316,806</u>
Non-depreciable capital assets	<u>7,706,420</u>
Depreciable capital assets, net	<u>26,657,960</u>
Total Noncurrent Assets	<u>37,681,186</u>

Total Assets	<u>40,911,490</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on defeased debt	<u>212,997</u>
Pensions	<u>4,952,895</u>
Total Deferred Outflows of Resources	<u>5,165,892</u>

LIABILITIES

Current Liabilities

Payables:	
Accounts payable	<u>253,374</u>
Accrued liabilities	<u>7,299</u>
Due to other governments	<u>276</u>
Bond interest and matured bonds	<u>19,273</u>
Due to Teachers' Retirement System	<u>873,261</u>
Due to Employees' Retirement System	<u>67,770</u>
Compensated absences payable	<u>83,328</u>
Unearned revenues - other	<u>35,615</u>
Subtotal of current liabilities	<u>1,340,196</u>

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

Subtotal of current liabilities brought forward	\$ <u>1,340,196</u>
Current portion of long-term liabilities	
Bonds payable	<u>2,340,206</u>
Due to employees' retirement system	<u>3,033</u>
Total Current Liabilities	<u>3,683,435</u>
Noncurrent Liabilities and Obligations	
Bonds payable	<u>17,486,412</u>
Due to employees' retirement system	<u>10,040</u>
Compensated absences payable	<u>841,858</u>
Other postemployment benefits liability	<u>15,988,373</u>
Net pension liability - Proportionate share	<u>1,067,887</u>
Total Noncurrent Liabilities and Obligations	<u>35,394,570</u>
Total Liabilities	<u>39,078,005</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>358,132</u>
NET ASSETS	
Net investment in capital assets	<u>14,809,366</u>
Restricted	<u>3,886,633</u>
Unrestricted (deficit)	<u>(12,054,754)</u>
Total Net Position	<u><u>\$ 6,641,245</u></u>

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General support	\$ 3,417,168	\$ 4,356	\$	\$	\$ (3,412,812)
Instruction	17,337,924	21,050	983,197		(16,333,677)
Pupil transportation	1,490,013				(1,490,013)
Community services	36,934				(36,934)
School lunch program	528,071	93,795	288,688		(145,588)
Interest on debt	471,472				(471,472)
Total Functions and Programs	\$ 23,281,582	\$ 119,201	\$ 1,271,885	\$ -	\$ (21,890,496)

GENERAL REVENUES

Real property taxes	5,600,904
Real property tax items	1,112,382
Use of money and property	13,376
Unrestricted state sources	13,843,352
Sale of property and compensation for loss	30,549
Miscellaneous	469,428
Total General Revenues	21,069,991
Change in Net Position	(820,505)
Total Net Position - Beginning of Year	7,461,750
Total Net Position - End of Year	\$ 6,641,245

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2017

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 1,630,741	\$ 46,910	\$
Cash - Restricted	2,721,879		71,678
Receivables:			
Due from other funds	424,632		
State and federal aid	211,041	324,599	18,677
Due from other governments	486,910		
Due from Fiduciary Funds	199,261		
Other	44,137	600	779
Inventories			19,625
Prepaid items	1,878	1,300	
Total Assets	\$ 5,720,479	\$ 373,409	\$ 110,759
LIABILITIES			
Payables:			
Accounts payable	\$ 37,971	\$ 6,562	\$ 645
Accrued liabilities	6,773		526
Due to other funds	664,462	348,886	75,746
Due to other governments			276
Due to Teachers' Retirement System	873,261		
Due to Employees' Retirement System	67,770		
Compensated absences payable	83,328		
Unearned revenues		17,961	17,654
Total Liabilities	1,733,565	373,409	94,847
FUND BALANCES			
Nonspendable	1,878		19,625
Restricted	2,721,879		
Assigned	361,060		
Unassigned	902,097		(3,713)
Total Fund Balances	3,986,914	-	15,912
Total Liabilities and Fund Balances	\$ 5,720,479	\$ 373,409	\$ 110,759

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$ 113,561	\$ 1,791,212
552,191	101,343	3,447,091
42,736	664,462	1,131,830
		554,317
		486,910
		199,261
		45,516
		19,625
		3,178
\$ 594,927	\$ 879,366	\$ 7,678,940
\$	\$ 208,196	\$ 253,374
		7,299
	42,736	1,131,830
		276
		873,261
		67,770
		83,328
		35,615
-	250,932	2,452,753
		21,503
594,927	628,434	3,945,240
		361,060
		898,384
594,927	628,434	5,226,187
\$ 594,927	\$ 879,366	\$ 7,678,940

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Fund Balances - Total Governmental Funds **\$ 5,226,187**

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	\$	52,485,666	
Less accumulated depreciation		<u>(18,121,286)</u>	34,364,380

The School District's proportionate share of the employee retirement systems' collective net pension liability is not reported in the funds.

TRS net pension liability - Proportionate share	\$	(463,449)	
ERS net pension liability - Proportionate share		<u>(604,438)</u>	(1,067,887)

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

Deferred charges on defeased debt	\$	212,997	
ERS deferred outflows - Pension		466,110	
TRS deferred outflows - Pension		4,486,785	
ERS deferred inflows - Pension		(115,579)	
TRS deferred inflows - Pension		<u>(242,553)</u>	4,807,760

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

Bonds payable			(19,567,420)
---------------	--	--	--------------

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 debt	\$	(19,273)	
Premiums on long term obligations		(259,198)	
Employees' retirement amortization		(13,073)	
Other postemployment benefits liability		(15,988,373)	
Compensated absences		<u>(841,858)</u>	<u>(17,121,775)</u>

Net Position of Governmental Activities **\$ 6,641,245**

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

SPENCER-VAN ET TEN 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	\$ 5,600,904	\$	\$
Other tax items	1,112,382		
Charges for services	25,406		
Use of money and property	10,302		12
Sale of property and compensation for loss	93,976		
Miscellaneous	443,352	22,766	16,900
State sources	13,843,352	408,431	8,588
Federal sources		552,000	247,251
Surplus food			32,849
Sales - School lunch			93,795
Total Revenues	21,129,674	983,197	399,395
EXPENDITURES			
General support	2,463,619		
Instruction	9,365,117	701,094	203,012
Pupil transportation	1,055,635	17,204	
Community services		22,766	
Employee benefits	5,051,383	269,569	97,983
Debt service:			
Principal	2,728,170		
Interest	516,709		
Cost of sales			151,009
Other expenditures			1,361
Capital outlay			
Total Expenditures	21,180,633	1,010,633	453,365
Excess (Deficiency) of Revenues Over Expenditures	(50,959)	(27,436)	(53,970)
OTHER FINANCING SOURCES AND (USES)			
Redeemed from appropriations			
Proceeds of obligations			
Premium on obligations			
Operating transfers in	105,000	27,436	50,000
Operating transfers (out)	(153,558)		
Total Other (Uses) Sources	(48,558)	27,436	50,000
Net Change in Fund Balance	(99,517)	-	(3,970)
Fund Balances (Deficit) - Beginning of Year	4,086,431	-	19,882
Fund Balances - End of Year	\$ 3,986,914	\$ -	\$ 15,912

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

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 5,600,904
		1,112,382
		25,406
3,062		13,376
		93,976
	9,176	492,194
		14,260,371
		799,251
		32,849
		93,795
3,062	9,176	22,524,504
		2,463,619
		10,269,223
		1,072,839
		22,766
		5,418,935
		2,728,170
		516,709
		151,009
		1,361
	7,206,238	7,206,238
-	7,206,238	29,850,869
3,062	(7,197,062)	(7,326,365)
	515,000	515,000
	8,519,895	8,519,895
39,999		39,999
76,122		258,558
(105,000)		(258,558)
11,121	9,034,895	9,074,894
14,183	1,837,833	1,748,529
580,744	(1,209,399)	3,477,658
\$ 594,927	\$ 628,434	\$ 5,226,187

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds **\$ 1,748,529**

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.

Capital outlay	\$ 7,682,205	
Net book value of disposed assets	(63,425)	
Depreciation expense	<u>(1,330,175)</u>	6,288,605

Changes in the School District's proportionate share of net pension (assets) 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	\$ (34,891)	
TRS	<u>42,804</u>	7,913

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Proceeds of new debt	\$ (8,519,895)	
Principal payments	<u>2,210,281</u>	(6,309,614)

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

Payments to the Employees' Retirement System liability	\$ 2,889	
Net change in long-term compensated absences payable	(78,062)	
Net change in other postemployment benefits liability	<u>(2,486,003)</u>	(2,561,176)

Interest expense reported in the Statement of Activities includes changes in accrued interest, premiums on obligations and deferred interest from advance refunding of bonds. These items are not included in interest expense in the Governmental Fund financial statements.

Amortization of defered changes on defeased debt	\$ (67,363)	
Premiums on obligations	(39,999)	
Amortization of premiums on BANs	47,491	
Amortization of premiums on bonds payable	69,324	
Change in accrued interest payable	<u>(4,215)</u>	<u>5,238</u>

Net Change in Net Position of Governmental Activities **\$ (820,505)**

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2017

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 837,947
Cash - Restricted	11,678	
Investments - Restricted	219,823	
Accounts receivable		4,902
Total Assets	231,501	\$ 842,849
LIABILITIES		
Due to Governmental Funds		\$ 199,261
Extraclassroom Activity balances		49,985
Other liabilities		593,603
Total Liabilities	-	\$ 842,849
NET POSITION		
Restricted for scholarships	\$ 231,501	

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

SPENCER-VAN ETTEN 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	\$ 250
Investment earnings	1,885
Total Additions	<u>2,135</u>
DEDUCTIONS	
Scholarships and awards	<u>8,900</u>
Change in Net Position	(6,765)
Net Position - Beginning of Year	<u>238,266</u>
Net Position - End of Year	\$ <u><u>231,501</u></u>

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

SPENCER-VAN ETTEN 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 Spencer-Van Etten Central School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

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

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financials 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 School District is financially accountable for the Extraclassroom Activity Funds. Based on the application of the criteria above, the Extraclassroom Activity Funds are included in the School District's reporting entity.

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 Office, located at 16 Darts Cross Road, Spencer, NY 14883

Joint Venture

The School District is one of 21 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

Joint Venture - Continued

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

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

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

Basis of Presentation - District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and 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 Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SPENCER-VAN ETTEN 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

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

The School District reports the following Major Governmental Funds:

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

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 because 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.

SPENCER-VAN ETTEN 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

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

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

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value. 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 districts.

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.

SPENCER-VAN ETTEN 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.

Inventories and Prepaid Items

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

Non-spendable fund balance represents these non-liquid assets (inventories and prepaid items) to signify a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets were reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, historical costs have been estimated, if not available, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 15,000	40 years
Building improvements	15,000	Various
Furniture and equipment	5,000	Various

The School District depreciates its capital assets using the straight-line method.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position 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 11.

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 11.

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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

Postemployment Benefits - Continued

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 post-retirement 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 complies with 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 12 for additional information.

Unearned or Unavailable Revenue

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 unearned revenues 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 liability for unearned revenues is removed and revenues are recorded.

Restricted Resources

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

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.

SPENCER-VAN ETTEN 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 - Continued

- 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 complies with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes 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.

Constraints are broken into five classifications: non-spendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Non-Spendable - Consists of assets inherently non-spendable 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.
- 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 government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

SPENCER-VAN ETTEN 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

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

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

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. The following reserve funds are available to school districts within the State of New York. 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. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- 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. The reserve is accounted for in the General Fund.

SPENCER-VAN ETTEN 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

- Retirement System Contribution Reserve (GML §6-r) - Used to reserve funds for the purpose of financing retirement contributions. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Mandatory Reserve for Debt Service (GML §6-1) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.
- Tax Certiorari Reserve (Education Law §3651.1-a) - Used to establish a Reserve Fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Unemployment Insurance Reserve - Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the employer elects to convert tax (contribution) basis, excess of funds over sum sufficient to pay pending claims may be transferred to any other Reserve Fund. This reserve is accounted for in the General Fund.
- Repair Reserve (GML §6-d) - Used to pay cost of repairs to capital improvements or equipment which do not recur annually. The Board of Education, without voter approval, may establish a Repair Reserve Fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the Reserve Fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

SPENCER-VAN ETTEN 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

Property Taxes - Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 25, 2016. Taxes were collected during the period September 1, 2016 to October 31, 2016.

Property Taxes - Enforcement

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

Interfund Transfers

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 and liabilities 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, postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

New Accounting Standards

The 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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

New Accounting Standards - Continued

- GASB has issued Statement No. 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

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

SPENCER-VAN ETTEN 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. 87, "Leases," effective for the year ending June 30, 2021.

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

Note 2 **Participation in BOCES**

During the year ended June 30, 2017, the School District's share of BOCES income amounted to \$1,074,929. The School District was billed \$2,665,631 for BOCES administration and program costs. Financial statements for Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, New York 14903.

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

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

The School District's aggregate bank balances total \$6,884,937. Of this balance, \$6,352,141 is either insured or collateralized with securities held by the pledging financial institution in the School District's name. The remaining \$532,796 is held in a money market account, which invests in obligations of the United States Treasury, and is not covered by depository insurance or collateralized.

Restricted cash consists of the following at June 30, 2017:

	<u>Amount</u>
General Fund reserves	\$ 2,721,879
Restricted for debt	594,927
Unspent debt proceeds	58,607
Restricted for school lunch	<u>71,678</u>
Total	\$ <u><u>3,447,091</u></u>

In addition, \$11,678 cash in the Private Purpose Trust Fund is restricted for scholarships and awards.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

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

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.

		<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Fund	\$	219,823	\$ 219,823	Certificate of Deposit	(1)

The School District does not typically purchase investments for a duration long enough 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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 4 State and Federal Aid Receivable

State and Federal Aid Receivable consisted of the following, which are stated at net realizable value.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Excess Cost Aid	\$ 202,355
	BOCES STEM Aid	8,686
	Total	<u>211,041</u>
School Lunch Fund	State lunch and breakfast program	631
	Federal lunch and breakfast program	18,046
	Total	<u>18,677</u>
Special Aid Fund	State grants	153,479
	Federal grants	171,120
	Total	<u>324,599</u>
Total		\$ <u>554,317</u>

Note 5 Other Receivables

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Other receivables	\$ 44,137
Special Aid Fund	Other receivables	600
School Lunch Fund	Other cafeteria sales	779
Total		\$ <u>45,516</u>

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 6 Interfund Activities

Interfund balances at June 30, 2017 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 424,632	\$ 664,462	\$ 105,000	\$ 153,558
Special Aid Fund		348,886	27,436	
School Lunch Fund		75,746	50,000	
Debt Service Fund	42,736		76,122	105,000
Capital Projects Fund	664,462	42,736		
Total	\$ <u>1,131,830</u>	\$ <u>1,131,830</u>	\$ <u>258,558</u>	\$ <u>258,558</u>

In addition to the above interfund activity, the Agency Fund owed the General Fund \$199,261 at year end.

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 General Fund to Capital Funds, as needed, to fund capital projects.

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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 7 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/ Disposals</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 40,439	\$	\$	\$ 40,439
Construction in progress	1,759,400	7,206,236	(1,299,655)	7,665,981
Total Nondepreciable Historical Cost	<u>1,799,839</u>	<u>7,206,236</u>	<u>(1,299,655)</u>	<u>7,706,420</u>
Capital assets that are depreciated:				
Buildings	36,699,878		1,299,655	37,999,533
Furniture and equipment	6,601,766	475,969	(298,022)	6,779,713
Total Depreciable Historical Cost	<u>43,301,644</u>	<u>475,969</u>	<u>1,001,633</u>	<u>44,779,246</u>
Total Historical Cost	<u>45,101,483</u>	<u>7,682,205</u>	<u>(298,022)</u>	<u>52,485,666</u>
Less accumulated depreciation:				
Buildings	(12,748,887)	(933,695)		(13,682,582)
Furniture and equipment	(4,276,821)	(396,480)	234,597	(4,438,704)
Total Accumulated Depreciation	<u>(17,025,708)</u>	<u>(1,330,175)</u>	<u>234,597</u>	<u>(18,121,286)</u>
Total Historical Cost, Net	\$ <u>28,075,775</u>	\$ <u>6,352,030</u>	\$ <u>(63,425)</u>	\$ <u>34,364,380</u>

Retirements and reclassifications were due to disposal of capital assets and other adjustments.

Depreciation expense was charged to governmental functions as follows:

General support	\$ 229,853
Instruction	796,643
Pupil transportation	280,400
School lunch	21,283
Community service	<u>1,996</u>
Total	\$ <u>1,330,175</u>

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 8 Short-term Debt

The School District may issue revenue anticipation notes (RANs), 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 represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. The School District did not issue or redeem any RANs during the year, and correspondingly recorded no interest related to RANs.

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Transactions in short-term debt for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Refinanced	Ending Balance
BANs - Construction	\$ 9,034,895	\$	\$ (515,000)	\$ (8,519,895)	\$ -
Add premiums	47,491		(47,491)		-
Total	\$ 9,082,386	\$ -	\$ (562,491)	\$ (8,519,895)	\$ -

Interest on short-term debt for the year was composed of:

Interest Paid	\$ 140,285
Less related premiums	(47,491)
Total	\$ 92,794

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 9 Long-term Debt

At June 30, 2017, the total outstanding indebtedness of the School District represented 59.0% of its statutory debt limit, exclusive of building aid estimates. 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.

Capital leases - The School District purchases equipment utilizing installment purchase agreements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefits of the capital assets.

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

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2017</u>
Serial Bonds	5/28/2009	6/15/2024	2.50-4.00%	\$ 1,160,000
Serial Bonds	6/15/2012	6/15/2028	2.125-3.375%	4,400,000
Serial Bonds	12/18/2013	6/15/2018	2.00-2.25%	55,000
Capital lease	6/15/2015	6/15/2030	2.93%	1,607,525
Refunding Bonds	6/15/2015	6/15/2022	1.50-4.00%	3,825,000
Serial Bonds	6/15/2017	6/15/2032	2.00-3.00%	8,519,895
Total				\$ <u>19,567,420</u>

Interest on long-term debt and other long-term obligations during the year was:

Interest paid	\$ 376,424
Less amortization of premiums	(69,324)
Less interest accrued in the prior year	(15,058)
Add amortization of deferred charges on defeased debt	67,363
Add interest accrued in the current year	<u>19,273</u>
Total	\$ <u>378,678</u>

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 9 Long-term Debt - Continued

On February 12, 2015, \$5,315,000 in general obligation bonds, with a 2.0% interest rate were issued to refund \$5,225,000 of outstanding bonds, with interest rates ranging from 4.0% to 7.25%. The net proceeds of \$7,412,803 (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 of the defeased bonds was \$3,815,000 at June 30, 2017.

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial bonds	\$ 13,257,806	\$ 8,519,895	\$ (2,210,281)	\$ 19,567,420	\$ 2,268,240
Add unamortized premiums	288,523	39,999	(69,324)	259,198	71,966
Total	\$ 13,546,329	\$ 8,559,894	\$ (2,279,605)	\$ 19,826,618	\$ 2,340,206

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2015 Refunding Bonds	\$ 280,360	\$ -	\$ (67,363)	\$ 212,997
Total	\$ 280,360	\$ -	\$ (67,363)	\$ 212,997

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,753,135	\$ 513,041	\$ 3,266,176
2019	1,806,288	424,672	2,230,960
2020	1,864,424	373,224	2,237,648
2021	1,902,655	334,618	2,237,273
2022	1,945,979	286,268	2,232,247
2023-2027	5,693,309	900,402	6,593,711
2028-2032	3,601,630	301,166	3,902,796
Total	\$ 19,567,420	\$ 3,133,391	\$ 22,700,811

SPENCER-VAN ET TEN CENTRAL SCHOOL DISTRICT

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

Note 10 Other Long-term Obligations

Other long-term obligations consist of the following:

- **Compensated Absences:** Represents 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.
- **Retirement System Amortization:** Amounts due for retirement contributions. This liability is liquidated from the General Fund.
- **Other Postemployment Benefits Liability:** Represents the expected obligation for the postretirement health care benefits program. See Note 12 for further information.

A summary of the 2016-2017 activity follows. Changes to long-term compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 763,796	\$ 78,062	\$	\$ 841,858	\$
Retirement system amortization	15,962		(2,889)	13,073	3,033
Other postemployment benefits liability	13,502,370	3,541,677	(1,055,674)	15,988,373	
Total	\$ 14,282,128	\$ 3,619,739	\$ (1,058,563)	\$ 16,843,304	\$ 3,033

The following is a summary of the maturity of long-term amounts due to retirement systems:

Year	Principal	Interest	Total
2018	\$ 3,033	\$ 654	\$ 3,687
2019	3,185	502	3,687
2020	3,344	344	3,688
2021	3,511	175	3,686
Total	\$ 13,073	\$ 1,675	\$ 14,748

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

***Note 11* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Employees' Retirement System (ERS) - Continued

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

Summary of Significant Accounting Policies

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

Contributions

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

		<u>ERS</u>		<u>TRS</u>
2017	\$	315,479	\$	885,387
2016		259,940		1,123,228
2015		249,721		986,134

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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

	ERS	TRS
Actuarial valuation date	4/1/2016	6/30/2015
Net pension liability	\$ 9,396,223,126	\$ 1,071,041,940
School District's proportionate share of the Plan's total net pension liability	604,438	463,449
School District's share of the Plan's total net pension liability	0.0064327%	0.043271%

For the year ended June 30, 2017, the School District recognized pension expense of \$350,370 for ERS and \$753,446 for TRS in the District-wide financial statements. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 15,147	\$	\$ 91,787	\$ 150,554
Changes in assumptions	206,497			
Net differences between projected and actual earnings on pension plan investments	120,730	3,690,349		
Changes in proportion and differences between the School District's contribution and proportionate share of contributions	55,966		23,792	91,999
School District's contributions subsequent to the measurement date	67,770	796,436		
Total	\$ 466,110	\$ 4,486,785	\$ 115,579	\$ 242,553

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

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:

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ 117,205	\$ 309,560
2019	117,205	309,560
2020	115,517	1,118,866
2021	(67,166)	867,067
2022		390,744
Thereafter		451,999

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 increase	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' MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, 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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 11 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.

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

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

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%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 11 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 liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension (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% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 1,930,447	\$ 604,438	\$ (516,705)
TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension (asset) liability	\$ 6,046,746	\$ 463,449	\$ (4,219,528)

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 11 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) – Continued**

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 liability	\$ 177,400,586	\$ 108,577,184
Plan net position	(168,004,363)	(107,506,142)
Employers' net pension liability	\$ 9,396,223	\$ 1,071,042
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%	99.0%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$ 67,770.

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 \$873,261.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Effect on Net Position

Changes in the 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	\$ 962,904	\$ (358,466)	\$ 604,438
Deferred outflows of resources	(892,909)	426,799	(466,110)
Deferred inflows of resources	149,021	(33,442)	115,579
Subtotal	219,016	34,891	253,907
TRS			
Net pension (asset) liability	(4,388,567)	4,852,016	463,449
Deferred outflows of resources	(894,796)	(3,591,989)	(4,486,785)
Deferred inflows of resources	1,545,384	(1,302,831)	242,553
Subtotal	(3,737,979)	(42,804)	(3,780,783)
Total Effect on Net Position	\$ (3,518,963)	\$ (7,913)	\$ (3,526,876)

Note 12 Other Postemployment Benefits

The School District follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the School District reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. A full actuarial valuation of the School District Retiree Medical Plan (Plan) was performed as of July 1, 2015 for fiscal years ended June 30, 2016 and June 30, 2017.

Plan Description - The Plan is a single-employer, defined benefit healthcare plan administered by the School District. The Plan provides medical benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated as each contract expires. 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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 12 Other Postemployment Benefits - Continued

For the year ended June 30, 2017, the Plan provided benefits to 113 retirees. The expected employer contribution of \$1,055,674 represents an actuarially determined estimate of premiums and claims paid on behalf of the retirees. The actual 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.

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	\$ 1,522,927
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>2,259,498</u>
Total Annual Required Contribution	3,782,425
Interest on OPEB obligation	540,095
Adjustment to annual required contribution	<u>(780,843)</u>
Annual OPEB Cost (Expense)	3,541,677
Expected Employer Contribution	<u>(1,055,674)</u>
Increase in Net OPEB Obligation	2,486,003
 Net OPEB Obligation - July 1, 2016	 <u>13,502,370</u>
 Net OPEB Obligation - June 30, 2017	 <u><u>\$ 15,988,373</u></u>

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
06/30/2017	\$ 3,541,677	29.8%	\$ 15,988,373
06/30/2016	3,327,768	29.3%	13,502,370
06/30/2015	2,573,306	30.1%	11,150,340

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

***Note 12* Other Postemployment Benefits - Continued**

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$41,080,296; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,225,268 and the ratio of the UAAL to the covered payroll was 445.3%.

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.

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

In the July 1, 2015 actuarial valuation report, the projected unit credit actuarial cost method was used. Under this method, each Participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. Actuarial assumptions included a discount rate of 4% per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars. Additional actuarial assumptions included an annual medical cost trend rate of 7.5% initially for members under age 65 and 6% for age 65 and older, reduced by decrements to an ultimate rate of 3.9% after five years.

The unfunded actuarial liability is amortized as a level dollar amount over a 30 year period. A single amortization base is re-amortized each year (open basis).

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

***Note 13* Commitments and Contingencies**

Risk Financing and Related Insurance

General Information

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

Health Insurance

Effective July 1, 2013, the School District joined the New York 44 Health Benefit Trust to provide health insurance coverage for School District employees

The NY44 Health Benefits Plan Trust (Trust) was established in 2003 as a federal tax exempt Article 44 Trust to contain health care costs at Erie 1 BOCES. The Trust later expanded to employees and eligible retirees of not only Erie 1 BOCES but also to schools throughout New York State. Beginning its tenth year of operation, and having achieved self-funded status in January 2008, the Trust has grown to approximately 14,000 enrollees in 50 participating schools districts, BOCES, and community colleges representing more than 177 bargaining units. The plan, overseen by the New York Insurance Department, is controlled by 10 trustees who are employees of Erie 1 BOCES and represent all participating schools: five appointed by the labor organizations and five appointed by Erie 1 BOCES' administration. Because the Trust is jointly run, both union and management have an equal say in how it operates, including decisions about benefits offered to the members and annual contribution rates charged to the school. As a self-funded plan, the Trust benefits from having contribution rates which more closely reflect the actual health claims experience of the Trust's covered employees as opposed to a traditional insurance plan, employing a 'community rating.'

All current employees and retirees under the age of 65 are covered by NY44. For retirees over the age of 65, they have the choice of NY44 or MVP medicare advantage plan. The MVP plan in many ways mirrors the coverage of NY44. A member district may withdraw from the Plan with a one year written notice to the Plan, in the form of a resolution passed by the School District's Board of Education. The withdrawal must be approved by the remaining Plan members.

During the year ended June 30, 2017 the School District incurred premiums or contribution expenditures totaling \$3,278,410.

Other Items

The School District has received grants which are subject to audit by agencies of 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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 14 Fund Balance Detail

At June 30, 2017 non-spendable, restricted and assigned fund balance in governmental funds was as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Debt Service Fund	Capital Projects Fund
Nonspendable					
Prepaid expenses	\$ 1,878	\$	\$	\$	\$
Inventory			19,625		
Total Nonspendable Fund Balance	\$ 1,878	\$ -	\$ 19,625	\$ -	\$ -
Restricted					
Tax certiorari reserve	\$ 5,005	\$	\$	\$	\$
Unemployment insurance reserve	85,093				
Retirement system contribution reserve	1,735,429				
Employee benefit accrued liability reserve	790,230				
Repair reserve	106,122				
Debt				594,927	
Unspent debt proceeds					58,607
Capital					569,827
Total Restricted Fund Balance	\$ 2,721,879	\$ -	\$ -	\$ 594,927	\$ 628,434
Assigned					
Appropriated for next year's budget	\$ 243,440	\$	\$	\$	\$
Encumbered for:					
Instruction	24,964				
Pupil transportation	92,656				
Total Assigned Fund Balance	\$ 361,060	\$ -	\$ -	\$ -	\$ -

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 15 Restricted Fund Balances

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

<u>General Fund Reserves</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Released/ Appropriated</u>	<u>Ending Balance</u>
Tax certiorari reserve	\$ 5,000	\$	\$ 5	\$	\$ 5,005
Unemployment insurance reserve	430,757		86	(345,750)	85,093
Repair reserve	106,062		60		106,122
Retirement system contribution	1,532,266	202,305	858		1,735,429
Employee benefit accrued liability reserve	444,229	345,750	251		790,230
Total	\$ 2,518,314	\$ 548,055	\$ 1,260	\$ (345,750)	\$ 2,721,879
Debt Service Fund	\$ 580,744	\$ -	\$ 3,062	\$ 11,121	\$ 594,927

Reconciliation between Restricted Fund Balance and Restricted Net Position

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

Restricted fund balance in the fund financial statements	\$ 3,945,240
Less unspent debt proceeds	<u>(58,607)</u>
Restricted net position in the District-wide financial statements	<u>\$ 3,886,633</u>

Note 16 Stewardship, Compliance, and Accountability

The School Lunch fund had an unassigned deficit of \$(3,713). This deficit is expected to be corrected by future excess revenues from operations and General Fund budgetary appropriations.

SPENCER-VAN ETTEN 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	\$ 5,591,309	\$ 5,591,309	\$ 5,600,904	\$ 9,595
Other tax items	<u>1,121,000</u>	<u>1,121,000</u>	<u>1,112,382</u>	<u>(8,618)</u>
Charges for services	<u>4,000</u>	<u>4,000</u>	<u>25,406</u>	<u>21,406</u>
Use of money and property	<u>8,000</u>	<u>8,000</u>	<u>10,302</u>	<u>2,302</u>
Sale of property and compensation for loss		<u>48,642</u>	<u>93,976</u>	<u>45,334</u>
Miscellaneous	<u>265,000</u>	<u>341,122</u>	<u>443,352</u>	<u>102,230</u>
Total Local Sources	<u>6,989,309</u>	<u>7,114,073</u>	<u>7,286,322</u>	<u>172,249</u>
State sources	<u>14,155,536</u>	<u>14,155,536</u>	<u>13,843,352</u>	<u>(312,184)</u>
Total Revenues	<u>21,144,845</u>	<u>21,269,609</u>	<u>21,129,674</u>	<u>(139,935)</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>21,249,845</u>	<u>21,374,609</u>	<u>\$ 21,234,674</u>	<u>\$ (139,935)</u>
Appropriated Fund Balance	<u>315,844</u>	<u>715,844</u>		
Appropriated Reserves	<u>165,000</u>	<u>165,000</u>		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	<u>9,303</u>	<u>9,303</u>		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$ 21,739,992</u>	<u>\$ 22,264,756</u>		

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

SPENCER-VAN ETTEN 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	\$ 19,770	\$ 17,294
Central administration	191,696	211,644
Finance	448,936	446,401
Staff	124,824	153,992
Central services	1,327,874	1,334,371
Special items	404,591	405,327
Total General Support	2,517,691	2,569,029
Instruction		
Instruction, administration, and improvement	685,308	714,045
Teaching - Regular school	4,556,073	4,433,613
Programs for children with handicapping conditions	2,157,440	2,020,006
Occupational education	511,979	574,934
Teaching - Special school	460	
Instructional media	849,645	860,809
Pupil services	859,260	906,121
Total Instruction	9,620,165	9,509,528
Pupil transportation	775,473	1,163,321
Employee benefits	5,572,810	5,402,014
Debt Service		
Principal	2,413,720	2,729,951
Interest	720,133	715,133
Total Debt Service	3,133,853	3,445,084
Total Expenditures	21,619,992	22,088,976
OTHER FINANCING USES		
Operating transfers out	120,000	175,780
Total Expenditures and Other Financing Uses	\$ 21,739,992	\$ 22,264,756

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>
\$ 14,256	\$	\$ 3,038
206,305		5,339
444,348		2,053
150,219		3,773
1,243,795		90,576
404,696		631
2,463,619	-	105,410
706,978		7,067
4,394,199	16,964	22,450
1,955,701		64,305
572,563		2,371
		-
860,618		191
875,058	8,000	23,063
9,365,117	24,964	119,447
1,055,635	92,656	15,030
5,051,383	-	350,631
2,728,170		1,781
516,709		198,424
3,244,879	-	200,205
21,180,633	117,620	790,723
153,558	-	22,222
21,334,191	\$ 117,620	\$ 812,945
(99,517)		
4,086,431		
\$ 3,986,914		

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Fiscal 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
6/30/2017	7/1/2015	\$ -	\$ 41,080,296	\$ 41,080,296	0.0%	\$ 9,225,268	445.3%
6/30/2016	7/1/2015	-	38,303,804	38,303,804	0.0%	8,895,933	430.6%
6/30/2015	7/1/2013	-	28,143,449	28,143,449	0.0%	8,373,561	336.1%
6/30/2014	7/1/2013	-	21,148,059	21,148,059	0.0%	8,073,060	262.0%
6/30/2013	7/1/2011	-	33,027,644	33,027,644	0.0%	8,370,984	394.5%
6/30/2012	7/1/2011	-	31,981,735	31,981,735	0.0%	7,728,942	413.8%

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 315,479	\$ 259,940	\$ 249,721
Contributions in relation to the contractually required contribution	(315,479)	(259,940)	(249,721)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	1,670,654	1,562,385	1,555,993
Contributions as a percentage of covered - employee payroll	18.9%	16.6%	16.0%

** Information is not available

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 796,436	\$ 885,387	\$ 1,123,228
Contributions in relation to the contractually required contribution	(796,436)	(885,387)	(1,123,228)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	6,795,529	6,677,127	6,346,726
Contributions as a percentage of covered - employee payroll	11.7%	13.3%	17.5%

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

2014	2013	2012	2011	2010	2009	2008
\$ 309,005	\$ 273,686	\$ 252,902	\$ 149,564	\$ 85,024	\$ 100,526	**
(309,005)	(273,686)	(252,902)	(149,564)	(85,024)	(100,526)	**
-	-	-	-	-	-	**
1,666,919	1,564,922	1,466,921	1,423,522	1,310,340	1,330,530	**
18.5%	17.5%	17.2%	10.5%	6.5%	7.6%	**

2014	2013	2012	2011	2010	2009	2008
\$ 986,134	\$ 743,808	\$ 649,922	\$ 405,745	\$ 501,005	\$ 473,639	\$ 518,007
(986,134)	(743,808)	(649,922)	(405,745)	(501,005)	(473,639)	(518,007)
-	-	-	-	-	-	-
6,068,517	6,282,162	5,849,883	4,707,019	8,093,780	6,207,588	5,933,643
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

SPENCER-VAN ETTEN 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	0.0064327%	0.0059993%	0.0060733%
School District's proportionate share of the net pension (asset) liability	\$ 604,438	\$ 962,904	205,170
School District's covered-employee payroll during the measurement period	1,670,654	1,542,085	1,560,629
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	36.2%	62.4%	13.1%
Plan fiduciary net position as a percentage of the total pension (asset) liability	94.7%	90.7%	97.9%

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	0.043271%	0.042251%	0.041082%
School District's proportionate share of the net pension (asset) liability	\$ 463,449	\$ (4,388,567)	(4,576,327)
School District's covered-employee payroll during the measurement period	6,677,127	6,346,726	6,068,517
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	6.94%	(69.15%)	(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

SPENCER-VAN ETTEN 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.

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	\$ 21,730,689
Prior year encumbrances	9,303
Original budget	<u>21,739,992</u>
Budget revisions:	
Appropriation of sale of surplus equipment	35,812
Appropriation of insurance recoveries	12,830
Refund of prior year expenses	76,122
Appropriation of fund balance for capital projects	<u>400,000</u>
Final Budget	<u><u>\$ 22,264,756</u></u>

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

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

Note 2 **Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are shown in a separate column and are not included in the actual results at June 30, 2017.

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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 4 Schedules of the School District's Proportionate Share of the Net Position (Asset) Liability
The Schedules of the School District's Proportionate Share of the Net Position (Asset) Liability, required supplemental information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 5 Schedules of the School District's Contributions - NYLRS 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 in Assumptions

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

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

NYSTRS - Continued

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2015. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

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

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

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

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2016 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 5 Schedules of School District Contributions - NYLRS 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 District's 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 District's 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.

<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

SPENCER VAN-ETTEN CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 21,730,689
Prior year's encumbrances	<u>9,303</u>
Original Budget	<u>21,739,992</u>
Appropriation of sale of surplus equipment	<u>35,812</u>
Appropriation of insurance recoveries	<u>12,830</u>
Refund of prior year expenses	<u>76,122</u>
Appropriation of fund balance for capital projects	<u>400,000</u>
Total Additions	<u>524,764</u>
Final Budget	<u><u>\$ 22,264,756</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 voter approved budget	<u><u>\$ 22,552,424</u></u>
Maximum allowed (4% of 2017-2018 Budget)	\$ 902,097

General Fund fund balance Subject to § 1318 of Real Property Tax Law:

Unrestricted Fund Balance:	
Assigned fund balance	\$ 361,060
Unassigned fund balance	<u>902,097</u>
Total Unrestricted Fund Balance	<u><u>1,263,157</u></u>

Less:	
Appropriated fund balance	\$ (243,440)
Encumbrances included in committed and assigned fund balance	<u>(117,620)</u>
Total Adjustments	<u><u>(361,060)</u></u>

General Fund Fund Balance Subject to §1318 of Real Property Law **\$ 902,097**

Actual Percentage 4.00%

See Independent Auditor's Report

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

PROJECT TITLE	Project Number	Original Budget	Revised Budget	Expenditures		Total
				Prior Years	Current Year	
Maintenance Building	2019002	\$ 110,300	\$ 110,300	\$ 6,407	\$ 133,708	\$ 140,115
Bus Storage Maintenance	5002007	109,350	73,553	73,553		73,553
Bus Storage Maintenance	5002008	227,595	227,595	13,729	168,680	182,409
Senior High School	0010014	1,522,050	945,161	945,161		945,161
Senior High School	0010015	4,067,000	4,067,000	258,772	3,951,249	4,210,021
Spencer Middle School	0001014	316,400	280,940	280,940		280,940
Spencer Middle School	0001015	2,739,500	2,739,500	132,326	2,132,734	2,265,060
Press Box/Concession Stand	7018002	74,000	74,000	5,033	33,425	38,458
Van Etten Elementary	0006013	828,700	828,700	43,476	786,442	829,918
Total		\$ 9,994,895	\$ 9,346,749	\$ 1,759,397	\$ 7,206,238	\$ 8,965,635

***Architectural and State approved budget modifications for subproject reallocations not yet finalized and available at this report date.**

See Independent Auditor's Report

Unexpended Balance	Methods of Financing			Fund Balance June 30, 2017		
	Proceeds of Obligations	State Aid	Local Sources			Total
\$ (29,815)	\$ 143,245	\$	\$ 2,703	\$ 145,948	\$ 5,833	*
-	73,553			73,553	-	*
45,186	180,712		28,853	209,565	27,156	*
-	445,161		500,000	945,161	-	*
(143,021)	4,233,082		357,697	4,590,779	380,758	*
-	280,940			280,940	-	*
474,440	2,284,857		164,847	2,449,704	184,644	*
35,542	35,808		1,976	37,784	(674)	*
(1,218)	842,537		18,098	860,635	30,717	*
\$ 381,114	\$ 8,519,895	\$ -	\$ 1,074,174	\$ 9,594,069	\$ 628,434	

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Capital assets, net	\$ <u>34,364,380</u>
Add:	
Deferred charges on defeased debt	<u>212,997</u>
Deduct:	
Short-term portion of bonds payable	<u>(2,268,240)</u>
Long-term portion of bonds payable	<u>(17,299,180)</u>
Premium on bonds payable	<u>(259,198)</u>
Unspent bond proceeds	<u>58,607</u>
Net Investment in Capital Assets	\$ <u><u>14,809,366</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
Spencer-Van Etten Central School District
Spencer, 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 Spencer-Van Etten 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 October 12, 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.

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,

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
October 12, 2017

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

Board of Education
Spencer-Van Etten Central School District
Spencer, New York

Report on Compliance for Each Major Federal Program

We have audited Spencer-Van Etten 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and question costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 considered 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we considered to be a significant deficiency.

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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,

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
October 12, 2017

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

<u>Federal Grantor/Pass -Through Program Title</u>	<u>Federal CFDA #</u>	<u>Pass -Through Grantor #</u>	<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021173350	\$	\$ 257,326
Special Education Cluster:				
Special Education - Grants to States	84.027	0032170978		221,954
Special Education - Preschool Grants	84.173	0033170978		11,800
Total Special Education Cluster				<u>233,754</u>
Improving Teacher Quality State Grants	84.367	0147173350		<u>57,960</u>
Title VI B - Rural Education Initiative	84.358B	0006173350		<u>2,960</u>
Total U.S. Department of Education				<u>552,000</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster:				
National School Lunch Program	10.555	006731		230,757
School Breakfast Program	10.553	006731		49,343
Total Child Nutrition Cluster				<u>280,100</u>
Total U.S. Department of Agriculture				<u>280,100</u>
Total Expenditures of Federal Awards			\$	<u><u>832,100</u></u>

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Note 1 Basis of Presentation

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

Note 2 Basis of Accounting

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

Note 3 Indirect Costs

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

Note 4 Matching Costs

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

Note 5 Non-Monetary Federal Program

The School District is the recipient of a Federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2017, the School District received and used \$32,849 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 Subrecipients

No amounts were provided to subrecipients.

Note 7 Other Disclosures

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

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

SPENCER-VAN ETTEN 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 no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes no

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 Section 200.516(a) of the Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

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

Auditee qualified as low-risk? yes no

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

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

Section II - Financial Statement Findings None

Section III - Federal Award Findings and Questioned Costs

2017-001 Significant Deficiency in Internal Control over Eligibility Requirements

Condition:

The eligibility for free and reduced priced meals under CFDA program numbers 10.553 and 10.555 was incorrectly calculated for 4 of 40 students selected for testing.

Criteria:

OMB Compliance Supplement for Child Nutrition Cluster states, "a child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local education agencies, institutions, and sponsors determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines."

Cause:

The School District did not correctly calculate household income limits for qualification of free and reduced price meals.

Effect:

The School District is not in compliance with the OMB Compliance Supplement for the Child Nutrition Cluster. Additionally, children not eligible for free and reduced priced meals may receive these benefits in error.

Questioned cost:

The projected likely questioned costs did not exceed the reporting threshold.

Recommendation:

We recommend the School District review its procedures for calculating and approving eligibility for free and reduced price meals to ensure it is in compliance with the applicable eligibility requirement.

Management Response:

Management has reviewed the procedure for approving applications with the appropriate personnel.