

VESTAL CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

SINGLE AUDIT PACKAGE

JUNE 30, 2017

VESTAL CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

	<u>Schedule</u>	<u>Page</u>
<b>Independent Auditors' Report</b>		
<b>Management's Discussion and Analysis</b>		3 - 14
<b>Basic Financial Statements</b>		
Statement of Net Position		15
Statement of Activities and Changes in Net Position		16
Balance Sheet - Governmental Funds		17 - 18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position		19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		20 - 21
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities		22
Statement of Fiduciary Net Position and Statement of Changes and Statement of Changes in Fiduciary Net Position		23
<b>Notes to Basic Financial Statements</b>		24 - 58
<b>Required Supplementary Information</b>		
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund	SS 1	59 - 60
Schedule of Funding Progress - Other Postemployment Benefits Plan	SS 2	61
Schedule of District's Contributions - Pension Plans	SS 3	62
Schedule of District's Proportionate Share of the Net Pension Liability (Asset)	SS 4	63
<b>Supplementary Information</b>		
Schedules of Change from Adopted Budget to Final Budget and the Section 1318 Real Property Tax Limit - General Fund	SS 5	64
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	SS 6	65
Investment in Capital Assets, Net of Related Debt	SS 7	66

VESTAL CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2017

	<u>Page</u>
<b>Federal Award Program Information</b>	
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	67 - 68
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance	69 - 70
 Schedule of Expenditures of Federal Awards	 71
Notes to Schedule of Expenditures of Federal Awards	72 - 73
Schedule of Findings and Questioned Costs	74 - 75

VESTAL CENTRAL SCHOOL DISTRICT

JUNE 30, 2017

BOARD OF EDUCATION

Michon Stuart  
Jerry Etingoff  
Richard Bray  
Linda Daino  
David Hanson  
John Hroncich  
Mario Nunes  
Sylvia Place  
Tony Turnbull

OFFICIALS

Michon Stuart  
Jerry Etingoff  
Kay Ellis  
Michael Fenn  
Kelly Tesar

President  
Vice President  
District Clerk  
District Treasurer  
Deputy Treasurer

---

Jeffrey Ahearn

Superintendent of Schools

Lorraine Paushter

Assistant Superintendent  
for Finance, Operations  
and Personnel (Interim)

Laura Lamash

Assistant Superintendent  
of Instruction

Matthew Bechtel

School Business Executive

*Officers:*

James J. Lewis, CPA\*, ABV/CVA  
Alan D. Piaker, CPA  
Roy E. Fuller, CPA  
John R. May, CPA\*  
Angelo J. Gallo, CPA  
Richard A. Lynch, CPA  
Amy E. Brown, CPA+  
Janeen F. Sutryk, CPA\*  
Kyle J. Miesfeldt, CPA  
Thomas F. Shanahan, CPA\*



Established in 1955

(607) 729-9373  
Fax: (607) 729-6893  
Website: pnlepa.com

Philip M. Piaker, CPA  
(1921-2003)

Abraham L. Piaker, CPA  
(1925-2005)

*Retired:*

Allan R. Lyons, CPA  
Kenneth L. Coleman, CPA

\*Also Licensed in Pennsylvania  
+Also Licensed in Maryland

## INDEPENDENT AUDITORS' REPORT

To the President and Members  
of the Board of Education of the  
Vestal Central School District  
Vestal, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the VESTAL CENTRAL SCHOOL DISTRICT (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

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

# Piaker & Lyons

Vestal Central School District

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 3 - 15, the schedule of revenues, expenditures and changes in fund balance budget (non-GAAP basis) and actual - general fund on pages 60 through 61, the schedule of funding progress for the OPEB Liability on page 62, the schedule of District's Contributions for the Pensions plans on page 63, and the schedule of the District's Proportionate Share of the Net Pension Liability on page 64 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 US *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 basic financial statements.

The supplemental 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
PIAKER & LYONS, P.C.

Binghamton, New York  
September 20, 2017

**VESTAL 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's annual other postemployment benefit (OPEB) 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 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the School District to report a liability in 2016-2017 for other postemployment benefits of \$36,700,847.
- NYSTRS made significant changes in assumptions related to pensions, including the valuation rate of interest that went from 8% to 7.5%. This caused the TRS asset to decline to become a liability. However, the decline was offset by related changes to deferred outflows of resources and improvements in investment earnings. Overall, the effect of these changes in TRS and less dramatic changes in ERS on the District's proportionate share of pension liabilities and deferred inflows and outflows of resources had a minimal effect on net pension.
- The School District's 2016-2017 financial position showed an increase in net position of \$2,726,407 compared to a net increase of \$8,362,708 in 2015-2016.
- Revenues increased by \$1,758,435 or 2.3% and expenses increased by \$7,394,736 or 11.2%. Revenues increased primarily due to an increase in state and federal sources. Expenses increased due to an increase in employee benefits as required by GASB Statement 45 as outline above.
- Overall indebtedness of the School District, in the amount of \$78,658,014 decreased by \$1,918,117 from \$80,576,131 in 2015-2016. This was primarily due to paying down bonds, which was offset by increases to pension and other postemployment obligations as outlined above.
- General Fund budgetary expenditures were under spent by \$4,699,347 in 2016-2017 due to an overall effort by the District to contain costs.
- Unassigned fund balance in the General Fund showed a decrease in 2016-2017 to \$2,816,621 from \$2,841,096 in 2015-2016. Total fund balance in the General Fund, including reserves, amount to \$25,632,890 at June 30, 2017, which reflects an increase of \$3,078,482 in General Fund balance from June 30, 2016.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.

VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017

- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

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 Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets 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 financial statements report the School District's net assets and how they have changed. Net Position – the difference between the School District's assets 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 the 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.

#### 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 inflows and outflows and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationships (or differences) between them.

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for the assets that belong to others, such as the Scholarship Fund and the Student Activities Fund. 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.

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net assets (Figure 1) and changes in net assets (Figure 2) of the School District's governmental Activities.

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities &amp; Total School District</i>		<i>Total Dollar Change</i>
	<i>2015-2016</i>	<i>2016-2017</i>	<i>2016 - 2017</i>
<i>Current assets and other assets</i>	\$ 47,504,964	\$ 32,352,792	\$ (15,152,172)
<i>Net capital assets</i>	73,453,227	74,445,143	991,916
<b><i>Total assets</i></b>	<b>120,958,191</b>	<b>106,797,935</b>	<b>(14,160,256)</b>
<i>Deferred outflows of resources</i>			
<i>Pensions</i>	7,725,789	17,559,256	9,833,467
<i>Total assets and deferred outflows of resources</i>	128,683,980	124,357,191	(4,326,789)
<i>Current liabilities</i>	9,474,256	10,510,070	1,035,814
<i>Noncurrent liabilities</i>	71,101,875	68,147,944	(2,953,931)
<b><i>Total liabilities</i></b>	<b>80,576,131</b>	<b>78,658,014</b>	<b>(1,918,117)</b>
<i>Deferred inflows of resources</i>			
<i>Deferred revenues</i>	124,437	125,188	751
<i>Deferred amounts on refunding bonds</i>	544,375	460,625	(83,750)
<i>Pensions</i>	6,230,680	1,178,600	(5,052,080)
<b><i>Total deferred inflows of resources</i></b>	<b>6,899,492</b>	<b>1,764,413</b>	<b>(5,135,079)</b>
<i>Invested in capital assets, net of debt</i>	40,895,954	42,518,254	1,622,300
<i>Restricted</i>	20,294,081	25,052,348	4,758,267
<i>Unrestricted (deficit)</i>	(19,981,678)	(23,635,838)	(3,654,160)
<b><i>Total net position</i></b>	<b>\$ 41,208,357</b>	<b>\$ 43,934,764</b>	<b>\$ 2,726,407</b>

The decrease in current assets is mainly due to changes in the District's share of TRS and ERS liabilities.

The increase in capital assets, net, of \$991,916 or 1.4% is due to ongoing construction projects.

Current liabilities decreased due to ongoing debt payments and decreases in TRS and ERS rates.

Restricted net position increased \$4,758,267 due to increases in funds restricted for capital purposes and retirement contributions.

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

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

*Figure 2*

<b>Changes in Net Position</b>	<b>Governmental Activities &amp; Total School District</b>		<b>Total Dollar Change</b>
	<b>2015-2016</b>	<b>2016-2017</b>	<b>2016 - 2017</b>
<b>REVENUES</b>			
<i>Program revenues:</i>			
<i>Charges for service</i>	\$ 735,350	\$ 793,603	\$ 58,253
<i>Operating grants and contributions</i>	2,195,067	2,296,213	101,146
<i>General revenues:</i>			
<i>Real property taxes</i>	47,439,634	46,999,144	(440,490)
<i>State and federal sources</i>	22,709,740	24,442,792	1,733,052
<i>Use of money and property</i>	227,549	255,738	28,189
<i>Other general revenues</i>	1,323,382	1,601,667	278,285
<b>Total revenues</b>	<b>74,630,722</b>	<b>76,389,157</b>	<b>1,758,435</b>
<b>PROGRAM EXPENSES</b>			
<i>General support</i>	9,269,495	10,474,288	1,204,793
<i>Instruction</i>	51,073,250	57,233,657	6,160,407
<i>Pupil transportation</i>	3,426,866	3,728,964	302,098
<i>Community services</i>	925	0	(925)
<i>Debt service</i>	1,391,287	1,130,754	(260,533)
<i>School lunch program</i>	1,106,191	1,095,087	(11,104)
<b>Total expenses</b>	<b>66,268,014</b>	<b>73,662,750</b>	<b>7,394,736</b>
<b>CHANGE IN NET POSITION</b>	<b>8,362,708</b>	<b>2,726,407</b>	<b>(5,636,301)</b>

Total revenues for the School District's Governmental Activities increased by \$1,758,435 or 2.3% while total expenditures increased \$7,394,736 or 11.2%.

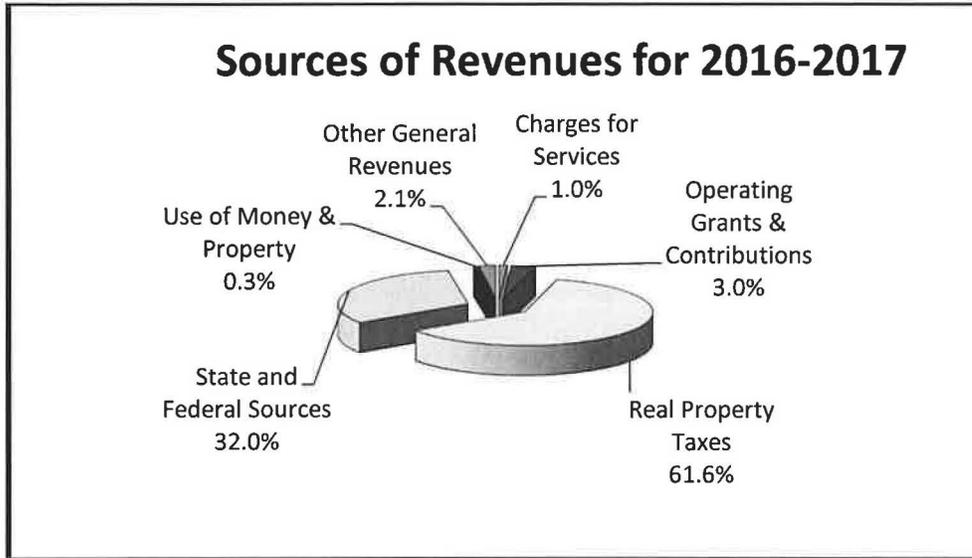
Revenue increased across the board with the exception of property taxes, which remained relatively flat.

Expenditures were higher due to increases in general support and instruction, primarily due to the allocation of postemployment benefits offset by pension expenses to these functions, resulting from the implementation of GASB Statements No. 45 and No. 68

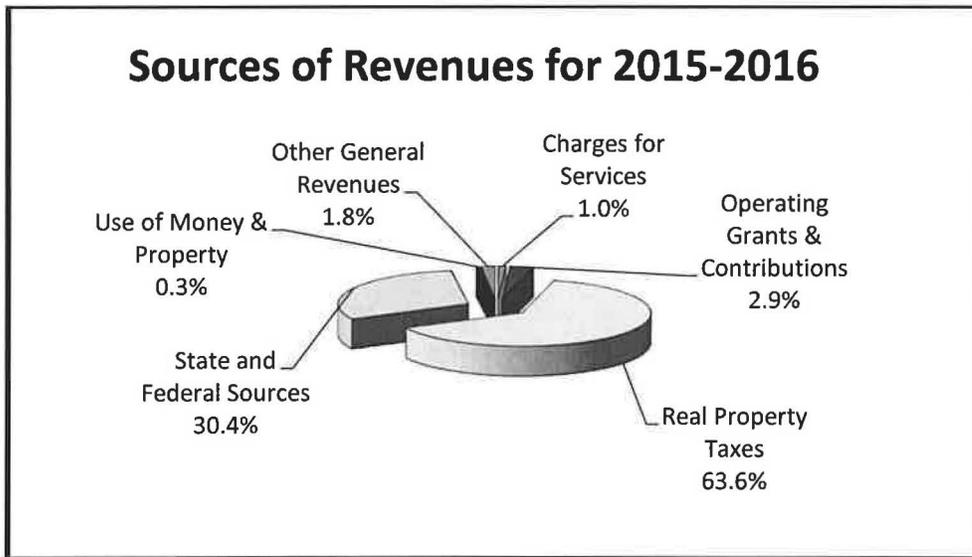
Figures 3 and 4 show the percentage of sources of revenue for 2016-2017 and 2015-2016.

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

*Figure 3*



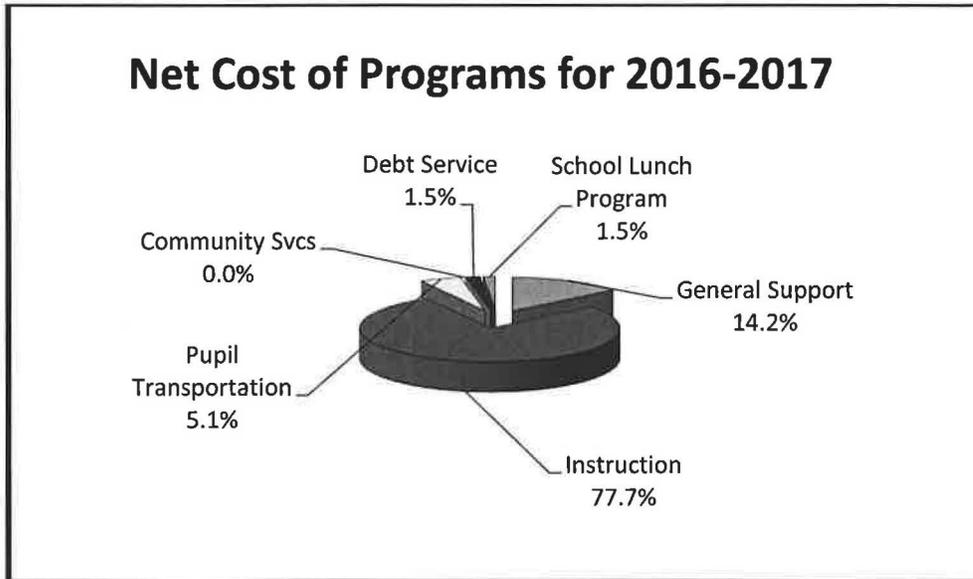
*Figure 4*



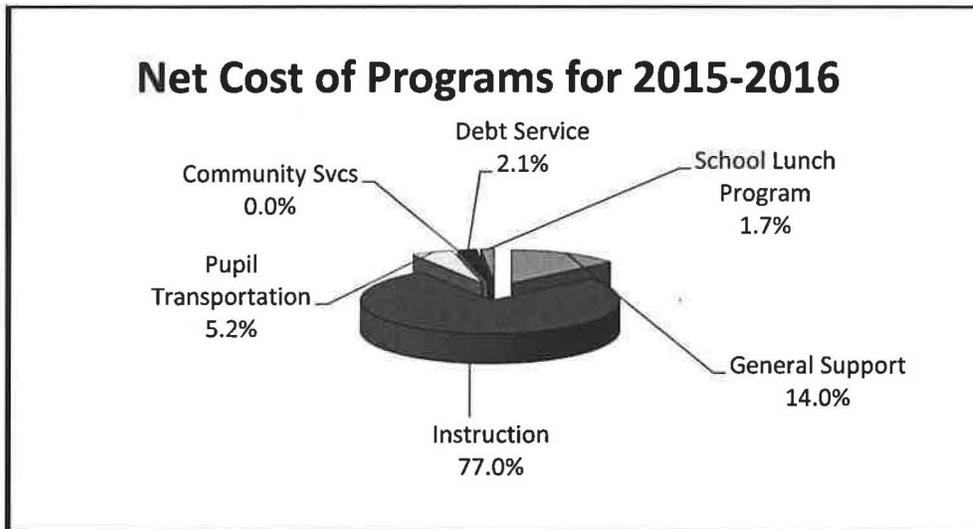
*Figures 5 and 6 present the cost for each of the School District's programs for 2016-2017 and 2015-2016.*

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

*Figure 5*



*Figure 6*



**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

Figure 7 shows the changes in fund balances for the year for the School District's funds. As the School District completed the year, its governmental funds, as presented on the Balance Sheet, reported a combined fund balance of \$26,060,062 compared to last year's balance of \$26,429,597.

*Figure 7*

<b>Governmental Fund Balances</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>Total Dollar Change 2016 - 2017</b>
<i>General Fund</i>	\$ 22,554,408	\$ 25,632,890	\$ 3,078,482
<i>Special Aid</i>	0	0	0
<i>School Lunch</i>	271,543	217,124	(54,419)
<i>Debt Service</i>	1,831,595	1,838,168	6,573
<i>Capital project</i>	1,772,051	(1,628,120)	(3,400,171)
<i>Total Fund Balance</i>	<u>26,429,597</u>	<u>26,060,062</u>	<u>(369,535)</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference between the original budget and the final amended budget was \$714,770 or .9% of total general fund expenditures and may be summarized as follows:

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

\$ 636,602	June 30, 2016 Carryover Encumbrances
\$ 6,000	Budget increase for equipment
34,039	Budget increase due to refund property taxes
<u>38,130</u>	Insurance claim due to vandalism
<u>\$ 714,770</u>	

The District's policy for amending the original budget is as follows:

- Transfers within the same function & object, but different location do not require superintendent or board approval. Transfers within the same function, but different object and location require superintendent approval. Transfers with different function require prior board approval.

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

*Figure 8*

<b>Condensed Budgetary Comparison General Fund - 2016-2017</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual w/ Encumbrances</b>	<b>Total Dollar Variance</b>
<b>REVENUES</b>				
<i>Real property taxes</i>	\$ 40,467,513	\$ 40,467,513	\$ 40,219,182	\$ (248,331)
<i>Real property tax items</i>	6,790,176	6,790,176	6,779,962	(10,214)
<i>State sources</i>	24,346,707	24,346,707	24,442,792	96,085
<i>All other - other financing sources</i>	1,666,700	1,704,830	2,207,425	502,595
<i>Total Revenues and Other Financing Sources</i>	\$ 73,271,096	\$ 73,309,226	\$ 73,649,361	\$ 340,135
<i>Appropriated Fund Bal. &amp; Reserves</i>	\$ 2,163,174	\$ 2,839,814	\$ 0	\$ (2,839,814)
<i>Interfund Transfer</i>	0	0	0	0
<i>Budget Grand Total</i>	\$ 75,434,270	\$ 76,149,040	\$ 73,649,361	\$ (2,499,679)
<b>EXPENDITURES</b>				
<i>General Support</i>	8,300,428	10,043,759	9,370,557	673,202
<i>Instruction</i>	38,242,100	38,028,420	35,402,207	2,626,213
<i>Pupil transportation</i>	2,661,968	2,630,706	1,965,763	664,943
<i>Community svcs</i>	4,590	4,590	0	4,590
<i>Employee benefits</i>	20,461,264	19,534,341	18,807,278	727,063
<i>Debt service</i>	5,496,920	5,620,224	5,620,165	59
<i>Transfers to other funds</i>	267,000	287,000	283,723	3,277
<i>Total Expenditures, and Other Financing Uses</i>	\$ 75,434,270	\$ 76,149,040	\$ 71,449,693	\$ 4,699,347

**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. Overall capital assets increased \$991,916 from last year as shown in *Figure 9* below, due to ongoing construction projects.

VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017

Figure 9

<b>Capital Assets (Net of Depreciation)</b>	<b>Government Activities &amp; Total School District</b>				
	<b>Beg. Balance 7/1/2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclass.</b>	<b>Ending Balance 6/30/2017</b>
<i>Land</i>	\$ 390,047	\$ 0	\$ 0	\$ 0	\$ 390,047
<i>Constr. in Progress</i>	1,922,478	3,125,471	0	(103,029)	4,944,920
<i>Buildings</i>	66,698,118	(2,038,783)	0	0	64,659,335
<i>Equipment</i>	4,442,584	137,569	(110,884)	(18,428)	4,450,841
<b>Totals</b>	<b>\$ 73,453,227</b>	<b>\$ 1,224,257</b>	<b>\$ (110,884)</b>	<b>\$ (121,457)</b>	<b>\$ 74,445,143</b>

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

30,997	Building Improvements
665,465	Buses (6)
176,180	School Lunch Program
168,215	Maintenance & Operations Equipment
<u>4,604</u>	Miscellaneous Equipment
1,045,461	Total Equipment Additions
<u>3,122,442</u>	Construction, net
<b>\$ 4,167,903</b>	<b>Total Additions</b>
(110,884)	Retirements, net
(18,428)	Reclassifications, net
<u>(3,046,675)</u>	Depreciation
<b><u>\$ 991,916</u></b>	

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$1,918,117 in 2016-2017, as shown in *Figure 10*. Total indebtedness represented 38.9% of the constitutional debt limit.

Figure 10

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

Outstanding Debt	Governmental Activities & Total School District		Total Dollar Change
	2015-2016	2016-2017	2016 - 2017
Serial Bonds - Long Term	\$ 25,524,654	\$ 21,557,877	\$ (3,966,777)
Compensated Absences	1,914,196	1,867,814	(46,382)
Other Post Employ. Benefits	35,532,152	36,700,847	1,168,695
Net Pension ERS Liability	3,379,373	3,534,774	155,401
Capital Lease	4,751,500	4,486,632	(264,868)
Current Liabilities	9,474,256	10,510,070	1,035,814
<b>Totals</b>	<b>\$ 80,576,131</b>	<b>\$ 78,658,014</b>	<b>\$ (1,918,117)</b>

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

The School District's bond rating of Aa2 remains unchanged from prior year.

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

- Voters approved the proposed 2017-2018 school District budget in the amount of \$76,193,466. The budget sets for an increase in the tax levy of 1.54%. The voter approval rate was at 84.4%. This represents a broad public base of support for the spending plan developed by the Board of Education.
- The District has continued to maintain any levy increase at or below the maximum allowable levy limit over the past five years.

**VESTAL CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

- A large PILOT started counting towards revenue in 2015-2016. This PILOT pertains to the development of student housing benefiting the University of Binghamton. A second PILOT took effect in the 2016-2017 school year and pertains to the Vestal Nursing Home. No additional PILOTS took effect in the 2017-2018 school year.
- The District continues to receive a positive audit on its independent financial audits. The rating was with "no modifications."
- Over the past three years, 2014-2015, 2015-2016, 2016-2017, the District received a top rating from the New York State Comptroller's office regarding fiscal stability.
- Binghamton University continues to be under construction, adding a \$70 million Smart Energy Research and Development Facility as part of the innovative Technologies Complex. This will serve as a state-of-the-art research hub for development of energy efficient technologies. (The main campus resides within the boundaries of the school District.) It is expected that college enrollment will increase and over 300 faculty and support staff positions will be added. In conjunction with this, major student housing projects have been added to support expected needs. Furthermore, development of the Vestal Parkway continues to expand with the construction of additional retail properties.
- On August 31, 2017, the District issued \$5,370,000 in general obligation bonds with an average interest rate of 4.13% to advance refund \$5,550,000 of outstanding 2009 Series bonds with an average interest rate of 3.98%. The net proceeds of \$5,858,369 (after payment of \$93,612 in underwriting fees, insurance and other issuance costs) were used to purchase United States 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 bond is considered to be partially defeased, and the liability for those bonds will be removed from the District's financial statements.
- The District has maintained a Moody's rating of Aa2. This rating is awarded dependent on the fiscal strength and stability of the Vestal Central School District.

#### CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Vestal Central School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office of the Vestal Central School District, 201 Main Street, Vestal, New York 13850.

VESTAL CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Cash	
Unrestricted	\$ 9,664,347
Restricted	19,793,026
Receivables	
State and Federal Aid	1,196,389
Due from Other Governments	1,397,591
Due from Fiduciary Funds	126,633
Accounts Receivable	123,565
Prepaid Expenditures	1,152
Inventory	50,089
Capital Assets	
Not Being Depreciated	5,334,967
Being Depreciated, net of accumulated depreciation	<u>69,110,176</u>
<b>Total Assets</b>	<b>106,797,935</b>
Deferred OutFlows of Resources	
Pensions	<u>17,559,256</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>124,357,191</u></b>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

Payables	
Accounts Payable	\$ 1,001,331
Accrued Liabilities	595,838
Due to Other Governments	311
Bond Anticipation Note	1,669,000
Long-Term Liabilities - Due and Payable Within One Year:	
Bonds Payable	3,966,777
Installment Purchase Debt - Capital Lease	264,868
Due to Teachers' Retirement System	2,737,655
Due to Employees' Retirement System	274,290
Long-Term Liabilities - Due and Payable After One Year:	
Bonds Payable	21,557,877
Installment Purchase Debt - Capital Lease	4,486,632
Compensated Absences Payable	1,867,814
Net Pension TRS Liability - Proportionate Share	1,515,016
Net Pension ERS Liability - Proportionate Share	2,019,758
Other Post-Employment Benefits (OPEB) Payable	<u>36,700,847</u>
<b>Total Liabilities</b>	<b><u>78,658,014</u></b>
Deferred InFlows of Resources	
Deferred Revenues	125,188
Deferred Amounts on Refunding Bonds	460,625
Pensions	<u>1,178,600</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>1,764,413</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>80,422,427</u></b>

**NET POSITION**

Investments in Fixed Assets Net of Related Debt	42,518,254
Restricted	25,052,348
Unrestricted	<u>(23,635,838)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 43,934,764</u></b>

See the accompanying notes to financial statements.

VESTAL CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	<u>Expenses</u>	Program Revenues		Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Revenue and Changes in Net Position</u>
General Support	\$(10,474,288)	\$ -	\$ -	\$(10,474,288)
Instruction	(57,233,657)	305,562	1,797,084	(55,131,011)
Pupil Transportation	(3,728,964)	-	-	(3,728,964)
Debt Service - Interest	(1,130,754)	-	-	(1,130,754)
School Lunch Program	(1,095,087)	488,041	499,129	(107,917)
<b>Total Functions/Programs</b>	<b><u>\$(73,662,750)</u></b>	<b><u>\$ 793,603</u></b>	<b><u>\$ 2,296,213</u></b>	<b><u>(70,572,934)</u></b>
General Revenues				
Real Property Taxes				40,219,182
Other Tax Items				6,779,962
Use of Money and Property				255,738
Miscellaneous				1,619,943
State Sources				24,405,762
Federal Sources				37,030
Sale of Property and Compensation for Loss				<u>(18,276)</u>
<b>Total General Revenues</b>				<b><u>73,299,341</u></b>
<b>Change in Net Position</b>				<b>2,726,407</b>
Total Net Position, Beginning of Year				<u>41,208,357</u>
<b>Total Net Position, End of Year</b>				<b><u>\$ 43,934,764</u></b>

See the accompanying notes to financial statements.

**BALANCE SHEET - GOVERNMENTAL FUNDS**

VESTAL CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 7,523,431	\$ 247,409	\$ 34,355	\$ 1,838,130	\$ 21,022	\$ 9,664,347
Restricted	19,773,130	-	-	-	19,896	19,793,026
Receivables						
Due from Other Funds	248,690	14,499	-	38	-	263,227
Due from Fiduciary Funds	126,633	-	-	-	-	126,633
State and Federal Aid	900,518	35,687	260,184	-	-	1,196,389
Due from Other Governments	1,397,591	-	-	-	-	1,397,591
Accounts Receivable	120,449	3,116	-	-	-	123,565
Prepaid Expenditures	1,152	-	-	-	-	1,152
Inventory	-	50,089	-	-	-	50,089
<b>TOTAL ASSETS</b>	<b><u>\$ 30,091,594</u></b>	<b><u>\$ 350,800</u></b>	<b><u>\$ 294,539</u></b>	<b><u>\$ 1,838,168</u></b>	<b><u>\$ 40,918</u></b>	<b><u>\$ 32,616,019</u></b>
<b>LIABILITIES</b>						
Payables						
Accounts Payable	\$ 890,432	\$ 101,260	\$ 9,639	\$ -	\$ -	\$ 1,001,331
Accrued Liabilities	483,974	779	202	-	-	484,955
Due to Other Funds	14,499	-	248,690	-	38	263,227
Due to Fiduciary Funds	-	-	-	-	-	-
Due to Other Governments	52	259	-	-	-	311
Notes Payable						
Bond Anticipation Note	-	-	-	-	1,669,000	1,669,000
Due to Teachers' Retirement System	2,737,655	-	-	-	-	2,737,655
Due to Employees' Retirement System	274,290	-	-	-	-	274,290
<b>TOTAL LIABILITIES</b>	<b><u>4,400,902</u></b>	<b><u>102,298</u></b>	<b><u>258,531</u></b>	<b><u>-</u></b>	<b><u>1,669,038</u></b>	<b><u>6,430,769</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Revenue	57,802	31,378	36,008	-	-	125,188
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$ 4,458,704</u></b>	<b><u>\$ 133,676</u></b>	<b><u>\$ 294,539</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,669,038</u></b>	<b><u>\$ 6,555,957</u></b>

See the accompanying notes to financial statements.

**VESTAL CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 4,458,704</b>	<b>\$ 133,676</b>	<b>\$ 294,539</b>	<b>\$ -</b>	<b>\$ 1,669,038</b>	<b>\$ 6,555,957</b>
<b>FUND BALANCE:</b>						
Nonspendable	1,152	50,089	-	-	-	\$ 51,241
Restricted	19,773,129	-	-	1,838,168	3,441,051	25,052,348
Assigned	3,041,988	167,035	3,284	-	6,500	3,218,807
Unassigned	2,816,621	-	(3,284)	-	(5,075,671)	(2,262,334)
<b>TOTAL FUND BALANCE</b>	<b>25,632,890</b>	<b>217,124</b>	<b>-</b>	<b>1,838,168</b>	<b>(1,628,120)</b>	<b>26,060,062</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 30,091,594</b>	<b>\$ 350,800</b>	<b>\$ 294,539</b>	<b>\$ 1,838,168</b>	<b>\$ 40,918</b>	

**Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:**

Capital Assets Used in Governmental Activities are Not Financial Resources and Therefore are Not Reported in the Funds.	74,445,143
Deferred outflows of resources - the Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental Funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amount to:	17,559,256
Deferred inflows of resources - The Statement of Net Position recognizes revenues and expenditures received under the full accrual method. Governmental Funds recognize revenues and expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amount to:	(1,178,600)
Net Accrued Interest Expense for Bonds is not Reported in the Funds.	(110,883)
Governmental Funds Report the Effect of Premiums on Refunding Bonds When Debt is First Issued whereas this amount is deferred and amortized in the Statement of Activities. Deferred Amounts on Refunding Bonds.	(460,625)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds. Long-Term liabilities at year-end consisted of:	
Bonds Payable	\$(25,524,654)
Installment Purchase Debt - Capital Lease	(4,751,500)
Compensated Absences Payable	(1,867,814)
Other Post-Employment Benefits (OPEB) Payable	(36,700,847)
Net Pension Liability- Proportionate share (ERS)	(1,515,016)
Net Pension Liability- Proportionate share (TRS)	(2,019,758)
	<u>(72,379,589)</u>
<b>Net Position of Governmental Activities</b>	<b>\$ 43,934,764</b>

See the accompanying notes to financial statements.

VESTAL CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Cash - Unrestricted	\$ 9,664,347	\$ -	\$ -	\$ 9,664,347
Cash - Restricted	19,793,026	-	-	19,793,026
Accounts Receivable	123,565	-	-	123,565
State and Federal Aid Receivable	1,196,389	-	-	1,196,389
Due from Fiduciary Funds	126,633	-	-	126,633
Due from Other Governments	1,397,591	-	-	1,397,591
Due from Other Funds	263,227	-	(263,227)	-
Prepaid Expenditures	1,152	-	-	1,152
Inventory	50,089	-	-	50,089
Capital Assets (Net)	-	74,445,143	-	74,445,143
<b>Total Assets</b>	<b><u>32,616,019</u></b>	<b><u>74,445,143</u></b>	<b><u>(263,227)</u></b>	<b><u>106,797,935</u></b>
Deferred OutFlows of Resources				
Pensions	-	17,559,256	-	17,559,256
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 32,616,019</u></b>	<b><u>\$ 92,004,399</u></b>	<b><u>\$ (263,227)</u></b>	<b><u>\$ 124,357,191</u></b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Accounts Payable	\$ 1,001,331	\$ -	\$ -	\$ 1,001,331
Accrued Liabilities	484,955	110,883	-	595,838
Due to Other Governments	311	-	-	311
Due to Other Funds	263,227	-	(263,227)	-
Bonds Payable	-	25,524,654	-	25,524,654
Capital Lease Payable	-	4,751,500	-	4,751,500
Bond Anticipation Note	1,669,000	-	-	1,669,000
Due to Teachers' Retirement System	2,737,655	-	-	2,737,655
Due to Employees' Retirement System	274,290	-	-	274,290
Compensated Absences	-	1,867,814	-	1,867,814
Other Post-Employment Benefits (OPEB) Payable	-	36,700,847	-	36,700,847
Net Pension Liability - ERS Proportionate Share	-	2,019,758	-	2,019,758
Net Pension Liability - TRS Proportionate Share	-	1,515,016	-	1,515,016
<b>Total Liabilities</b>	<b><u>6,430,769</u></b>	<b><u>72,490,472</u></b>	<b><u>(263,227)</u></b>	<b><u>78,658,014</u></b>
Deferred InFlows of Resources				
Deferred Revenues	125,188	-	-	125,188
Deferred Amounts on Refunding Bonds	-	460,625	-	460,625
Pensions	-	1,178,600	-	1,178,600
<b>Total Deferred Inflows of Resources</b>	<b><u>125,188</u></b>	<b><u>1,639,225</u></b>	<b><u>-</u></b>	<b><u>1,764,413</u></b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>6,555,957</u></b>	<b><u>74,129,697</u></b>	<b><u>(263,227)</u></b>	<b><u>80,422,427</u></b>
<b>FUND BALANCE / NET POSITION</b>				
<b>TOTAL FUND BALANCE / NET POSITION</b>	<b><u>26,060,062</u></b>	<b><u>17,874,702</u></b>	<b><u>-</u></b>	<b><u>43,934,764</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE / NET POSITION</b>	<b><u>\$ 32,616,019</u></b>	<b><u>\$ 92,004,399</u></b>	<b><u>\$ (263,227)</u></b>	<b><u>\$ 124,357,191</u></b>

See the accompanying notes to financial statements.

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

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Real Property Taxes	\$ 40,219,182	\$ -	\$ -	\$ -	\$ -	\$ 40,219,182
Other Tax Items	6,779,962	-	-	-	-	6,779,962
Charges for Services	305,562	-	-	-	-	305,562
Use of Money and Property	253,117	81	-	2,540	-	255,738
Sale of Property and Compensation for Loss	111,036	-	-	-	-	111,036
Miscellaneous	1,537,710	82,233	-	-	-	1,619,943
Local Sources	-	-	28,551	-	-	28,551
State Sources	24,405,762	17,587	541,056	-	-	24,964,405
Federal Sources	37,030	481,542	1,227,477	-	-	1,746,049
Sales - School Lunch	-	488,041	-	-	-	488,041
	<u>                  </u>	<u>                  </u>				
<b>Total Revenues</b>	<b>\$ 73,649,361</b>	<b>\$ 1,069,484</b>	<b>\$ 1,797,084</b>	<b>\$ 2,540</b>	<b>\$ -</b>	<b>\$ 76,518,469</b>

See the accompanying notes to financial statements.

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

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>EXPENDITURES</b>						
General Support	\$ 8,551,727	\$ -	\$ -	\$ -	\$ -	\$ 8,551,727
Instruction	35,353,116	248,433	1,812,193	-	-	37,413,742
Pupil Transportation	1,965,157	-	52,614	-	-	2,017,771
Community Services	-	-	-	-	-	-
Employee Benefits	18,796,991	197,157	-	-	-	18,994,148
Debt Service						
Principal	4,334,721	-	-	-	-	4,334,721
Interest	1,285,444	-	-	-	-	1,285,444
Cost of Sales	-	794,313	-	-	-	794,313
Capital Outlay	-	-	-	-	3,786,138	3,786,138
<b>Total Expenditures</b>	<b>70,287,156</b>	<b>1,239,903</b>	<b>1,864,807</b>	<b>-</b>	<b>3,786,138</b>	<b>77,178,004</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,362,205</b>	<b>(170,419)</b>	<b>(67,723)</b>	<b>2,540</b>	<b>(3,786,138)</b>	<b>(659,535)</b>
<b>OTHER FINANCING SOURCES AND USES</b>						
BAN Redeemed from Appropriations	-	-	-	-	290,000	290,000
Operating Transfers In	-	116,000	67,723	4,033	100,000	287,756
Operating Transfers (Out)	(283,723)	-	-	-	(4,033)	(287,756)
<b>Total Other Sources (Uses)</b>	<b>(283,723)</b>	<b>116,000</b>	<b>67,723</b>	<b>4,033</b>	<b>385,967</b>	<b>290,000</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)</b>	<b>3,078,482</b>	<b>(54,419)</b>	<b>-</b>	<b>6,573</b>	<b>(3,400,171)</b>	<b>(369,535)</b>
Fund Balance - Beginning of Year	22,554,408	271,543	-	1,831,595	1,772,051	26,429,597
<b>Fund Balance - End of Year</b>	<b>\$ 25,632,890</b>	<b>\$ 217,124</b>	<b>\$ -</b>	<b>\$ 1,838,168</b>	<b>\$ (1,628,120)</b>	<b>\$ 26,060,062</b>

See the accompanying notes to financial statements.

VESTAL CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2017

	Total Governmental <u>Funds</u>	Capital Related <u>Items</u>	Long-Term Debt <u>Transactions</u>	Statement of Activities <u>Totals</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 40,219,182	\$ -	\$ -	\$ 40,219,182
Other Tax Items	6,779,962	-	-	6,779,962
Charges for Services	305,562	-	-	305,562
Use of Money and Property	255,738	-	-	255,738
Sale of Property and Compensation for Loss	111,036	(129,312)	-	(18,276)
Miscellaneous	1,619,943	-	-	1,619,943
Local Sources	28,551	-	-	28,551
State Sources	24,964,405	-	-	24,964,405
Federal Sources	1,746,049	-	-	1,746,049
Sales - School Lunch	488,041	-	-	488,041
<b>Total Revenues</b>	<b><u>76,518,469</u></b>	<b><u>(129,312)</u></b>	<b><u>-</u></b>	<b><u>76,389,157</u></b>
<b>EXPENDITURES/EXPENSES</b>				
General Support	8,551,727	(57,347)	198,573	8,692,953
Instruction	37,413,742	2,234,711	1,788,611	41,437,064
Pupil Transportation	2,017,771	632,362	108,201	2,758,334
Employee Benefits	18,994,148	-	-	18,994,148
Debt Service			-	-
Principal	4,334,721		(4,334,721)	-
Interest	1,285,444	-	(154,690)	1,130,754
Cost of Sales	794,313	(144,816)	-	649,497
Capital Outlay	3,786,138	(3,786,138)	-	-
<b>Total Expenditures/Expenses</b>	<b><u>77,178,004</u></b>	<b><u>(1,121,228)</u></b>	<b><u>(2,394,026)</u></b>	<b><u>73,662,750</u></b>
<b>Excess (Deficiency) of</b>				
<b>Revenues over Expenditures/Expenses</b>	<b><u>(659,535)</u></b>	<b><u>991,916</u></b>	<b><u>2,394,026</u></b>	<b><u>2,726,407</u></b>
<b>OTHER SOURCES AND USES</b>				
Proceeds from Debt	290,000	-	(290,000)	-
Operating Transfers In	287,756	-	(287,756)	-
Operating Transfers Out	(287,756)	-	287,756	-
<b>Total Other Sources and Uses</b>	<b><u>290,000</u></b>	<b><u>-</u></b>	<b><u>(290,000)</u></b>	<b><u>-</u></b>
<b>Net Change for the Year</b>	<b><u>\$ (369,535)</u></b>	<b><u>\$ 991,916</u></b>	<b><u>\$ 2,104,026</u></b>	<b><u>\$ 2,726,407</u></b>

See the accompanying notes to financial statements.

VESTAL CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017

	<u>Private- Purpose Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 324,570	\$ 365,361
Due from Governmental Funds	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><b>324,570</b></u>	<u><b>365,361</b></u>
<b>LIABILITIES</b>		
Due to Governmental Funds	-	126,633
Extraclassroom Activity Balances	-	173,219
Other Liabilities	<u>-</u>	<u>65,510</u>
<b>Total Liabilities</b>	<u>-</u>	<u><b>365,362</b></u>
<b>NET POSITION</b>		
Reserved for Scholarships	<u><u>\$ 324,570</u></u>	<u><u>\$ -</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Private- Purpose Trusts</u>
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 800
Investment Earnings	<u>502</u>
<b>Total Additions</b>	<b>1,302</b>
<b>DEDUCTIONS</b>	
Scholarships and Awards	<u>3,000</u>
<b>Change in Net Position</b>	<b>(1,698)</b>
Net Position - Beginning of Year	<u>326,268</u>
<b>Net Position - End of Year</b>	<u><b>\$ 324,570</b></u>

See the accompanying notes to financial statements.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Vestal Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

A) Reporting Entity:

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, "*The Financial Reporting Entity*," as amended by GASB Statement 39, "*Component Units*." The financial reporting entity consists of the primary government, 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 financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit(s) and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria, such as legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of the certain entity included in the District's reporting entity.

Extra-classroom Activity Funds

The Extra-classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra-classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extra-classroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Joint Venture:

The District is a component district in Board of Cooperative Educational Services for the Sole Supervisory District of Broome, Delaware and Tioga Counties (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation [§1950(6)]. In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$10,561,965 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$3,105,756.

In addition, the District leases building space to BOCES on an annual basis with rental income of \$84,632 for the year ended June 30, 2017.

Financial statements for the BOCES are available from the BOCES administrative office.

C) Basis of Presentation:

i) District-wide Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize 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.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions 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.

ii) Funds Statements:

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

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

**Special Revenue Funds:** These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's Special Revenue Funds include the following funds.

a. **School Lunch Fund:**

The School Lunch Fund is used to account for child nutrition activities whose funds are restricted as to use.

b. **Special Aid Fund:**

The Special Aid Fund is used to account for proceeds received from State and federal grants that are restricted for specific educational programs.

**Capital Projects Funds:** These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

**Debt Service Fund:** This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following fiduciary funds:

**Fiduciary Funds:** Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used.

There are two classes of fiduciary funds:

**Private purpose trust funds:** These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

**Agency funds:** These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extra-classroom activity funds and for payroll or employee withholding.

D) Measurement Focus and Basis of Accounting:

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for Real Property Taxes, which are considered to be available if they are collected within sixty days 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.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Property Taxes:

Real property taxes are levied annually by the Board of Education no later than September 2 and become a lien on the effective date of the tax warrant. Taxes were collected during the period September 6, 2016 to November 4, 2016.

Uncollected real property taxes are subsequently enforced by the County Treasurers of Broome and Tioga Counties in which the District is located. The Counties pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the District no later than the following April 1.

F) Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G) Inter-fund Transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Position for inter-fund receivables and payables represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payable between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 10 for a detailed disclosure by individual fund for inter-fund receivables, payable, expenditures and revenues activity.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) 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 consumption of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I) Cash (and Cash Equivalents)/Investments:

The 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 District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. 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.

Investments are stated at fair value. The District did not hold any investments as of June 30, 2017.

J) Accounts Receivable:

Receivables (accounts receivable) are shown net of an allowance for uncollectible accounts, when applicable. An allowance for uncollectible accounts is provided for certain amounts that will not be collectible within one year when considered necessary. No allowance was necessary as of June 30, 2017.

VESTAL CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) 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 market. Purchases of inventorial 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 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 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.

L) Other Assets/Restricted Assets, as applicable:

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements, these same costs are netted against bond proceeds and recognized in the period of issuance.

M) Capital Assets:

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	40
Building Improvements	5,000	Straight-line	7 - 30
Site Improvements	5,000	Straight-line	20 - 30
Furniture and Equipment	5,000	Straight-line	5 - 20

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) Deferred Outflows and Inflows of Resources:

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has three items that qualify for reporting in the category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue - property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

O) Unearned Revenue:

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenues is removed and revenues are recorded.

P) Vested Employee Benefits:

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation 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.

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 16, "*Accounting for Compensated Absences*," the liability has been calculated using the vesting/termination method and an accrual for that 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 funds 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.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q) Other Benefits:

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System. Refer to Note 7 for a detailed disclosure of these retirement plans and the financial impact these plans have on the District's financial statements.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Refer to Note 11 for a detailed disclosure of these post-employment benefits and the financial impact these post-employment benefits have on the District's financial statements.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure.

R) Short-Term Debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN) 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued. Refer to Note 8 for a detailed disclosure of the District's short-term debt.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

S) Accrued Liabilities and Long-Term Obligations:

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

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position. Refer to Note 9 for a detailed disclosure of the District's long-term debt.

T) Equity Classifications:

i) District-wide Statements:

In the district-wide statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Fund Statements:

In the fund basis statements there are five classifications of fund balance.

**Nonspendable** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$50,089.

**Restricted** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

**Repairs**

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

**Unemployment Insurance**

According to General Municipal Law §6-m, must be 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 sixty 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 District elects to convert to tax (contribution) basis, excess resources in the fund over sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

**Debt Service**

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that 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.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Tax Certiorari

According to Education Law §3651.1-a, must be 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 that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Generally, 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.

Capital

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

**Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balance as of June 30, 2017.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Assigned** - includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$878,814 at June 30, 2017.

**Unassigned** - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**Order of Use of Fund Balance:**

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Refer to Note 15 for a detail of the fund balance classifications used by the District.

U) **Implementation of New Accounting Standards**

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017.

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

V) 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.

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ended June 30, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ended June 30, 2020.

GASB has issued Statement No. 85, *Omnibus 2017*, effective for the year ended June 30, 2018.

GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the year ended June 30, 2018.

GASB has issued Statement No. 87, *Leases*, effective for the year ended June 30, 2020.

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

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

A) Total Fund Balances of Governmental Funds versus Net Position of Governmental Activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

B) Statement of Revenues, Expenditures and Changes in Fund Balance versus Statement of Activities:

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

i) Long-Term Revenue Differences:

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

ii) Capital Related Differences:

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

iii) Long-Term Debt Transaction Differences:

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

iv) Pension Differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contribution to the pension system.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund, for which a legal (appropriated) budget is adopted – General Fund.

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Encumbrance accounting is used for budget control and monitoring purposes and is reported as part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

The Capital Projects Fund had a deficit fund balance of \$1,628,120. This will be funded when the District obtains permanent financing for its current construction project.

Under GASB No. 34 budgetary comparison information is required to be presented for the General Fund and each major Special Revenue Fund with a legally adopted budget. The District is not legally required to adopt a budget for its Special Revenue Funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 4 - CASH AND CONCENTRATION OF CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	<u>\$ -</u>
Collateralized With Securities Held by the Pledging Financial Institution or Its Trust Department or Agent, But Not in the District's Name	<u>\$ 32,257,773</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$19,793,026 within the governmental funds and \$324,570 in the fiduciary funds.

**NOTE 5 - INVESTMENTS**

The District's investment policy for investments is also governed by New York State statutes. As of June 30, 2017, there were no investments.

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

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

**VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets that are not Depreciated:</b>				
Land	\$ 390,047	\$ -	\$ -	\$ 390,047
Construction in Progress	<u>1,922,478</u>	<u>3,125,471</u>	<u>(103,029)</u>	<u>4,944,920</u>
<b>Total Nondepreciable</b>	<u>\$ 2,312,525</u>	<u>\$ 3,125,471</u>	<u>\$ (103,029)</u>	<u>\$ 5,334,967</u>
<b>Capital Assets that are Depreciated:</b>				
Building	\$ 101,741,088	\$ 130,997	\$ -	\$ 101,872,085
Furniture and Equipment	<u>12,701,239</u>	<u>1,014,464</u>	<u>(869,651)</u>	<u>12,846,052</u>
<b>Total Depreciable Assets</b>	<u>114,442,327</u>	<u>1,145,461</u>	<u>(869,651)</u>	<u>114,718,137</u>
<b>Less: Accumulated Depreciation:</b>				
Building	35,042,970	2,169,780	-	37,212,750
Furniture and Equipment	<u>8,258,655</u>	<u>876,895</u>	<u>(740,339)</u>	<u>8,395,211</u>
<b>Total Accumulated Depreciation</b>	<u>43,301,625</u>	<u>3,046,675</u>	<u>(740,339)</u>	<u>45,607,961</u>
<b>Total Depreciable Assets, Net</b>	<u>\$ 71,140,702</u>	<u>\$ (1,901,214)</u>	<u>\$ (129,312)</u>	<u>\$ 69,110,176</u>
<b>Depreciation Expense was charged to:</b>				
<b>Governmental Functions:</b>				
General Support		\$ 110,870		
Instruction/Salaries		2,272,079		
Pupil Transportation		632,362		
Cost of Sales - School Lunch		<u>31,364</u>		
		<u>\$ 3,046,675</u>		

**Operating Leases:**

At June 30, 2017, the District earned revenues as the lessor of a building under four operating leases. The terms of the leases are one year leases with optional renewal periods. The total rental income received for the year ended June 30, 2017 was \$52,949.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 7 – PENSION PLANS**

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Descriptions

**Teachers' Retirement System (TRS)**

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

**Employees' Retirement System (ERS)**

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

VESTAL CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

NOTE 7 - PENSION PLANS (Continued)

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent to their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 or 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended 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.

The District is required to contribute at an actuarially determined rate. The contributions for the current year and two preceding years as were:

<u>CONTRIBUTIONS</u>	<u>ERS</u>	<u>TRS</u>
2016 - 2017	\$ 1,105,525	\$ 2,577,150
2015 - 2016	1,128,016	2,868,307
2014 - 2015	1,267,458	3,738,907

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2016	June 30, 2015
Net Pension Asset/(Liability)	\$ (2,019,758)	\$ (1,515,016)
District's portion of the Plan's total		
Net Pension Asset/(Liability)	0.021495%	0.141453%

The actual actuarial valuation date for the net pension asset for TRS was June 30, 2015, with update procedures applied to roll forward the total pension liability to June 30, 2016.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 7 - PENSION PLANS (Continued)

For the year ended June 30, 2017, the District's recognized pension expense of \$1,319,682 for ERS and \$2,550,993 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource:</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 50,613	\$ -	\$ 306,712	\$ 492,162
Changes of assumptions	690,023	8,630,493	-	-
Net difference between projected and actual earnings on pension plan investments	403,428	3,406,552	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	481,028	599,326	-	379,726
District's contributions subsequent to the measurement date	<u>274,290</u>	<u>3,023,503</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,899,382</u></b>	<b><u>\$ 15,659,874</u></b>	<b><u>\$ 306,712</u></b>	<b><u>\$ 871,888</u></b>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended March 31, 2018 (ERS) and June 30, 2017. 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>ERS</u>	<u>TRS</u>
Year ended:		
2017	\$ -	\$ 1,098,738
2018	545,018	1,098,738
2019	545,018	3,744,360
2020	448,997	2,921,230
2021	(220,653)	1,364,129
Thereafter	<u>-</u>	<u>1,537,287</u>
	<b><u>\$ 1,318,380</u></b>	<b><u>\$ 11,764,482</u></b>

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 7 - PENSION PLANS (Continued)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follow:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.8%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009- June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.5%	2.50%

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

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

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 7 - PENSION PLANS (Continued)

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

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2017	June 30, 2016
<u>Asset Type</u>		
Domestic Equity	4.55%	6.10%
International Equity	6.35%	7.30%
Private Equity	7.75%	9.20%
Real Estate	5.80%	5.40%
Absolute Return Strategies	4.00%	-
Opportunistic Portfolio	5.89%	-
Real Assets	5.54%	-
Inflation-Indexed Bonds	1.50%	-
Cash	(0.25)	-
Domestic Fixed Income	-	1.00%
Global Fixed Income	-	0.80%
Bonds and Mortgages	1.31%	3.10%
Short-Term	-	0.10%

Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.50% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VESTAL CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

NOTE 7 - PENSION PLANS (Continued)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.50% for TRS, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6% for ERS and 6.5% for TRS) or 1-percentage point higher (8% for ERS and 8.5% for TRS) than the current rate:

ERS	1% Decrease <u>6.0%</u>	Current Assumption <u>7.0%</u>	1% Increase <u>8.0%</u>
Employer's Proportionate Share Of the Net Pension Asset (Liability)	\$ (6,450,707)	\$ (2,019,758)	\$ 1,726,601
TRS	1% Decrease <u>6.5%</u>	Current Assumption <u>7.5%</u>	1% Increase <u>8.5%</u>
Employer's Proportionate Share Of the Net Pension Asset (Liability)	\$(19,766,822)	\$ (1,515,016)	\$ 13,793,643

**VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 - PENSION PLANS (Continued)**

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Valuation date	March 31, 2016	June 30, 2016	
Employers' Total Pension Asset (Liability)	\$ (177,400,586)	\$ (108,577,184)	\$ (285,977,770)
Plan Net Position	<u>168,004,363</u>	<u>107,506,142</u>	<u>275,510,505</u>
<b>Employers' Net Pension Asset (Liability)</b>	<b><u>\$ (9,396,223)</u></b>	<b><u>\$ (1,071,042)</u></b>	<b><u>\$ (10,467,265)</u></b>
 Ratio of Plan Net Position to the Employers' Total Pension	 94.7%	 99.01%	 96.3%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. 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 paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$274,290.

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 \$2,737,655.

VESTAL CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 8 - SHORT-TERM DEBT**

Bond Anticipation Notes:

Notes issued in anticipation of the proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that the bond anticipation notes issued for capital purposes be converted to long-term financing within 5 years after the original issue date. During the year ended June 30, 2016, a Bond Anticipation Note (BAN) has been issued for the acquisition of school buses, during the current fiscal year and the prior fiscal year.

Transactions in short-term debt for the year are as follows:

<u>Description of Issue</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN Maturing 01/13/17 at 1.05%	\$ 1,295,000	\$ -	\$ (1,295,000)	\$ -
BAN Maturing 11/17/17 at 1.14%	-	1,669,000	-	1,669,000
	<u>\$ 1,295,000</u>	<u>\$ 1,669,000</u>	<u>\$ (1,295,000)</u>	<u>\$ 1,669,000</u>

**NOTE 9 - LONG-TERM DEBT**

Serial Bonds:

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

Compensated Absences:

Represent the value of earned and unused portion of the liability for the employees' vacation and sick pay which has not been accrued in the General Fund.

Installment Purchase Debt / Capital Lease:

Represents the remaining installments due on a capital lease for an energy efficiency performance contract.

Other Post-Employment Benefits:

Represents the net liability for other post-employment benefits calculated in accordance with GASB 45. Refer to Note 11 for a detailed disclosure of the District's other post-employment benefits.

**VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 - LONG-TERM DEBT (Continued)**

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds and notes Payable:</b>					
<b>General Obligation Debt:</b>					
2007 Serial Bonds	\$ 2,755,000	\$ -	\$ (2,755,000)	\$ -	\$ -
2009 Serial Bonds	8,165,000	-	(845,000)	7,320,000	870,000
2012 Serial Bonds	147,945	-	(147,945)	-	-
2013 Serial Bonds	287,798	-	(143,899)	143,899	143,899
2014 Serial Bonds	443,632	-	(147,877)	295,755	147,878
2015 Refunding Bond	17,770,000	-	(5,000)	17,765,000	2,805,000
Installment Purchase - Energy Contract	<u>4,751,500</u>	<u>-</u>	<u>-</u>	<u>4,751,500</u>	<u>264,868</u>
<b>Total Bonds and Notes Payable</b>	<b>34,320,875</b>	<b>-</b>	<b>(4,044,721)</b>	<b>30,276,154</b>	<b>4,231,645</b>
<b>Plus unamortized premium on bonds</b>	<u>544,375</u>	<u>-</u>	<u>(83,750)</u>	<u>460,625</u>	<u>83,750</u>
	<b>34,865,250</b>	<b>-</b>	<b>(4,128,471)</b>	<b>30,736,779</b>	<b>4,315,395</b>
<b>Other Liabilities:</b>					
Compensated Absences	1,914,196	-	(46,382)	1,867,814	-
Net Pension Liability	3,379,373	-	(1,359,615)	2,019,758	-
Other Postemployment Benefits	<u>35,532,152</u>	<u>-</u>	<u>1,168,695</u>	<u>36,700,847</u>	<u>-</u>
<b>Total Long-Term Liabilities</b>	<b><u>\$ 75,690,971</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (4,365,773)</u></b>	<b><u>\$ 71,325,198</u></b>	<b><u>\$ 4,315,395</u></b>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 9 - LONG-TERM DEBT (Continued)

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2017
Serial Bond	6/15/2009	6/15/2025	2.75 - 4.00%	\$ 7,320,000
Serial Bond	1/18/2013	1/18/2018	2%	143,899
Serial Bond	12/19/2013	12/19/2018	2.65%	295,755
Refunding Bonds	1/27/2015	6/15/2023	2.00 - 5.00%	17,765,000
Installment Purchase - Energy Contract	4/29/2016	6/15/2032	2.49%	4,751,500
				<u>\$ 30,276,154</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Deferred Credits</u>	<u>Total</u>
Fiscal Year Ended June 30,				
2018	\$ 4,231,645	\$ 1,114,114	\$ 83,750	\$ 5,429,509
2019	4,229,382	968,031	83,750	5,281,163
2020	4,223,307	818,910	83,750	5,125,967
2021	4,385,280	658,062	83,750	5,127,092
2022	4,557,428	486,764	83,750	5,127,942
2023 - 2026	<u>8,649,112</u>	<u>903,875</u>	<u>41,875</u>	<u>9,594,862</u>
<b>Totals</b>	<u>\$ 30,276,154</u>	<u>\$ 4,949,756</u>	<u>\$ 460,625</u>	<u>\$ 35,686,535</u>

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

Interest Paid	\$ 1,285,444
Less: Interest Accrued in the Prior Year	(98,073)
Plus: Interest Accrued in the Current Year	110,883
Less: Amortization of Deferred in the Current Year	<u>(167,500)</u>
<b>Total Expense</b>	<u>\$ 1,130,754</u>

VESTAL CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

NOTE 10 - INTERFUND BALANCES AND ACTIVITY

	Interfund			
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 248,690	\$ 14,499	\$ -	\$ 283,723
General Fund - from Fiduciary Fund	126,633	-	-	-
Special Aid Fund	14,499	248,690	67,723	-
School Lunch Fund	-	-	116,000	-
Debt Service Fund	38	-	4,033	-
Capital Funds	-	38	100,000	4,033
<b>Total Government Activities</b>	<b>389,860</b>	<b>263,227</b>	<b>287,756</b>	<b>287,756</b>
Fiduciary Agency Fund	-	126,633	-	-
<b>Totals</b>	<b><u>\$ 389,860</u></b>	<b><u>\$ 389,860</u></b>	<b><u>\$ 287,756</u></b>	<b><u>\$ 287,756</u></b>

The District typically transfers from the General Fund to the Special Aid Fund for the local portion of the Special Education Summer School Program.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All inter-fund payables are expected to be repaid within one year.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 11 - POST-EMPLOYMENT BENEFITS**

The District provides post-employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*," in the school year ended June 30, 2009. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the District recognized \$2,684,549 for its share of insurance for approximately 224 currently enrolled retirees.

This District has obtained an actuarial valuation report as of June 30, 2017 which indicates that the total liability for other post-employment benefits is \$36,700,847, which is reflected in the Statement of Net Position.

**Plan Description:** The Vestal Central School District ("the District") administers their Retiree Health Benefits Program ("the Plan") as a single-employer defined benefit Other Post-employment Benefit plan. The Plan provides for continuation of Retiree Group Health Benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report as there are no legally segregated assets for the sole purpose of paying benefits under the Program.

**Funding Policy:** The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the District.

**Annual OPEB Cost and Net OPEB Obligations:** The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 11 - POST-EMPLOYMENT BENEFITS (Continued)

Annual Required Contribution	\$ 3,147,677
Interest on net OPEB obligation	<u>1,420,553</u>
Annual Required Contribution ("ARC")	4,568,230
Adjustment to Annual Required Contribution	<u>(2,053,768)</u>
Annual OPEB Cost (Expense)	2,514,462
Contributions Made	<u>(1,345,767)</u>
Increase In Net OPEB Obligation	1,168,695
Net OPEB Obligation - Beginning of Year	<u>35,532,152</u>
Net OPEB Obligation - End of Year	<u>\$ 36,700,847</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, and the two preceding years are as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2017	\$ 2,514,462	52.79%	\$ 36,700,847
6/30/2016	\$ 2,502,532	65.67%	\$ 35,532,152
6/30/2015	2,385,230	62.50%	34,672,955

**Funded Status and Funding Progress:** As of July 1, 2016 the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$32,146,524, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,146,524. 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 11 - POST-EMPLOYMENT BENEFITS (Continued)**

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

In the July 1, 2016 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.25% for those under age 65 and 6.25% for those over age 65 initially, reduced by decrements to an ultimate rate of 3.886% for both age groups after one year. Both rates included a 2.25% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 was 21 years.

**NOTE 12 - RISK MANAGEMENT**

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

The District participates in the Broome-Tioga-Delaware Health Insurance Consortium, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 19 individual governmental units located within the pool's geographic area, and is considered self-sustaining risk pool that will provide coverage for its members up to \$1,000,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$1,000,000 limit, and the District has essentially transferred all related risk to the pool. During the year ended June 30, 2017, the District incurred premiums or contribution expenditures totaling \$12,299,088. The Plan covers 551 active employees and 224 retirees.

**NOTE 13 - DONOR-RESTRICTED ENDOWMENTS**

The District administers endowment funds, which are restricted by the donor for the purpose of scholarships.

Donor-restricted endowments are reported at fair value, which equals cost since all funds are invested in cash and cash equivalents.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 14 - CONTINGENCIES AND COMMITMENTS**

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

**NOTE 15 - FUND BALANCE REPORTING**

The following is a detail of fund balance classifications used for each fund at June 30, 2017:

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>						
Inventory/Prepaid Expenditures	\$ 1,152	\$ 50,089	\$ -	\$ -	\$ -	\$ 51,241
<b>Restricted for:</b>						
Unemployment Insurance Reserve	306,503	-	-	-	-	306,503
Reserve for Insurance	659,320	-	-	-	-	659,320
Reserve for Retirement Contributions	5,571,072	-	-	-	-	5,571,072
Reserve for Tax Certiorari	6,068,877	-	-	-	-	6,068,877
Repair Reserve	789,855	-	-	-	-	789,855
Capital Reserve	6,377,502	-	-	-	-	6,377,502
Debt Service	-	-	-	1,838,168	-	1,838,168
Capital Project	-	-	-	-	3,441,051	3,441,051
<b>Assigned:</b>						
General Support	818,830	-	-	-	-	818,830
Instructional	49,091	-	-	-	-	49,091
Pupil Transportation	606	-	-	-	-	606
Contractual Expenses	-	-	-	-	-	-
Employee Benefits	10,287	-	-	-	-	10,287
Materials and Supplies	-	-	3,284	-	-	3,284
School Lunch	-	167,035	-	-	-	167,035
Designated for the Levy of Taxes	2,163,174	-	-	-	-	2,163,174
Capital Project	-	-	-	-	6,500	6,500
<b>Unassigned:</b>						
Unassigned	2,816,621	-	(3,284)	-	(5,075,671)	(2,262,334)
<b>Total Fund Balances</b>	<b><u>\$25,632,890</u></b>	<b><u>\$217,124</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,838,168</u></b>	<b><u>\$(1,628,120)</u></b>	<b><u>\$ 26,060,062</u></b>

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 16 - TAX ABATEMENTS**

The County of Broome entered into various property tax abatement programs for the purpose of economic development. The School District property revenue was reduced \$398,594. The District received payment in lieu of Tax (PILOT) payment totaling \$1,006,358.

**NOTE 17 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through September 20, 2017, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these statements herein.

On August 31, 2017, the District issued \$5,370,000 in general obligation bonds with an average interest rate of 4.13% to advance refund \$5,550,000 of outstanding 2009 Series bonds with an average interest rate of 3.98%. The net proceeds of \$5,858,369 (after payment of \$93,612 in underwriting fees, insurance and other issuance costs) were used to purchase United States 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 bond is considered to be partially defeased, and the liability for those bonds will be removed from the District's subsequent statement of net position.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**

VESTAL CENTRAL SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Revised Budget	Current Year's Revenues	Over (Under) Revised Budget
<b>REVENUES</b>				
<b>Local Sources</b>				
Real Property Taxes	\$ 40,467,513	\$ 40,467,513	\$ 40,219,182	\$ (248,331)
Other Tax Items	6,790,176	6,790,176	6,779,962	(10,214)
Charges for Services	155,000	155,000	305,562	150,562
Use of Money and Property	188,000	188,000	253,117	65,117
Sale of Property and Compensation for Loss	31,000	69,130	111,036	41,906
Miscellaneous	<u>1,292,700</u>	<u>1,292,700</u>	<u>1,537,710</u>	<u>245,010</u>
<b>Total Local Sources</b>	<b>48,924,389</b>	<b>48,962,519</b>	<b>49,206,569</b>	<b>244,050</b>
Federal Sources	25,000	25,000	37,030	12,030
State Sources	<u>24,321,707</u>	<u>24,321,707</u>	<u>24,405,762</u>	<u>84,055</u>
<b>Total Revenues</b>	<b><u>73,271,096</u></b>	<b><u>73,309,226</u></b>	<b><u>73,649,361</u></b>	<b><u>340,135</u></b>
<b>Other Financing Sources</b>				
Interfund Transfer	-	-	-	-
Appropriated Reserves	<u>2,163,174</u>	<u>2,839,814</u>	<u>-</u>	<u>(2,839,814)</u>
<b>Total Other Financing Sources</b>	<b><u>2,163,174</u></b>	<b><u>2,839,814</u></b>	<b><u>-</u></b>	<b><u>(2,839,814)</u></b>
<b>Total Revenues and Other Sources</b>	<b><u>\$ 75,434,270</u></b>	<b><u>\$ 76,149,040</u></b>	<b><u>\$ 73,649,361</u></b>	<b><u>\$ (2,499,679)</u></b>

See Paragraph on Supplementary Schedules in Auditor's Report.

VESTAL CENTRAL SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Unencumbered Encumbrances</u>	<u>Unencumbered Balances</u>
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of Education	\$ 35,944	\$ 39,032	\$ 21,143	\$ -	\$ 17,889
Central Administration	230,407	231,629	219,795	-	11,834
Finance	942,718	989,558	982,781	-	6,777
Staff	572,380	578,941	429,156	160	149,625
Central Services	5,549,946	7,176,340	5,951,548	818,670	406,122
Special Items	969,033	1,028,259	947,304	-	80,955
<b>Total General Support</b>	<b>8,300,428</b>	<b>10,043,759</b>	<b>8,551,727</b>	<b>818,830</b>	<b>673,202</b>
<b>Instructional</b>					
Instruction, Administration and Improvement	2,167,021	2,304,802	2,113,715	1,003	190,084
Teaching, Regular School	20,041,235	19,351,260	18,387,265	27,901	936,094
Programs for Children with Handicapping Conditions	10,749,779	10,931,995	9,890,115	1,088	1,040,792
Occupational Education	700,656	700,656	556,015	-	144,641
Instructional Media	1,875,301	1,926,664	1,793,602	6,258	126,804
Pupil Services	2,708,108	2,813,043	2,612,404	12,841	187,798
<b>Total Instructional</b>	<b>38,242,100</b>	<b>38,028,420</b>	<b>35,353,116</b>	<b>49,091</b>	<b>2,626,213</b>
Pupil Transportation	2,661,968	2,630,706	1,965,157	606	664,943
Community Services	4,590	4,590	-	-	4,590
Employee Benefits	20,461,264	19,534,341	18,796,991	10,287	727,063
<b>Debt Service</b>					
Debt Service Principal	4,334,721	4,334,722	4,334,721	-	1
Debt Service Interest	1,162,199	1,285,502	1,285,444	-	58
<b>Total Expenditures</b>	<b>75,167,270</b>	<b>75,862,040</b>	<b>70,287,156</b>	<b>878,814</b>	<b>4,696,070</b>
<b>Other Uses</b>					
Interfund Transfer	267,000	287,000	283,723	-	3,277
<b>Total Expenditures and Other Uses</b>	<b>75,434,270</b>	<b>76,149,040</b>	<b>70,570,879</b>	<b>\$ 878,814</b>	<b>\$ 4,699,347</b>
<b>Excess Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,078,482</b>		

See Paragraph on Supplementary Schedules in Auditor's Report.

**VESTAL CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS - OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2016	\$ -	\$ 32,146,524	\$ 32,146,524	0.00%	Not Available	Not Available
7/1/2015	-	33,991,985	33,991,985	0.00%	Not Available	Not Available
7/1/2014	-	32,377,442	32,377,442	0.00%	Not Available	Not Available
7/1/2013	-	84,149,218	84,149,218	0.00%	Not Available	Not Available
7/1/2012	-	79,343,067	79,343,067	0.00%	Not Available	Not Available
7/1/2011	-	74,947,799	74,947,799	0.00%	Not Available	Not Available

See Paragraph on Supplementary Schedules in Auditor's Report.

VESTAL CENTRAL SCHOOL DISTRICT  
 SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
 AND THE SECTION 1318 REAL PROPERTY TAX LIMIT  
 FOR THE YEAR ENDED JUNE 30, 2017

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 75,434,270
Add: Prior Year's Encumbrances	<u>636,602</u>
Original Budget	76,070,872
Budget Revisions	<u>78,168</u>
<b>Final Budget</b>	<b><u>\$ 76,149,040</u></b>

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

2017 - 2018 Voter-Approved Expenditure Budget Maximum	
Allowed (4% of 2016 - 2017 Budget)	\$ 76,193,466
 <b>General Fund Fund Balance Subject to Section 1318 of Real Property Law:</b>	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 3,041,988
Unassigned Fund Balance	<u>2,816,624</u>
<b>Total Unrestricted Fund Balance</b>	<b><u>5,858,612</u></b>
 <b>Less:</b>	
Appropriated Fund Balance	(2,163,174)
Encumbrances Included in Assigned Fund Balance	<u>(878,814)</u>
<b>Total Adjustments</b>	<b><u>(3,041,988)</u></b>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:</b>	<b><u>\$ 2,816,624</u></b>
Actual Percentage.	3.70%

See Paragraph on Supplementary Schedules in Auditor's Report.

VESTAL CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF PROJECT EXPENDITURES  
 CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2017

Project Title	Project Number	Expenditures					Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2017
		Original Appropriation	Revised Appropriation	Prior Year's	Current Year	Total			State Aid	Local Sources	Total	
Energy Performance Contract	0-001-013, 0-003-013, 0-010-009, 0-012-008, 0-013-008, 1-017-008, 3-002-003, 5-004-007	\$ 4,751,500	\$ 4,751,500	\$ 1,918,480	\$ 2,814,900	\$ 4,733,380	\$ 18,120	\$ 4,751,500	\$ -	\$ -	\$ 4,751,500	\$ 18,120
<b>Non-Major Projects</b>												
Roof Replacement	3-002-004	235,000	235,000	969	211,271	212,240	23,729	-	-	235,000	235,000	22,760
Clayton Ave Project	0-003-015	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
2015 Bus Purchases		775,000	775,000	770,230	-	770,230	4,770	-	-	150,214	150,214	(620,016)
2016 Bus Purchases		675,000	675,000	674,984	-	674,984	16	-	-	-	-	(674,984)
2017 Bus Purchases		675,000	675,000	-	659,967	659,967	15,033	-	-	285,967	285,967	(374,000)
<b>Totals</b>		<b>\$ 7,211,500</b>	<b>\$ 7,211,500</b>	<b>\$ 3,364,663</b>	<b>\$ 3,786,138</b>	<b>\$ 7,150,801</b>	<b>\$ 61,668</b>	<b>\$ 4,751,500</b>	<b>\$ -</b>	<b>\$ 771,181</b>	<b>\$ 5,522,681</b>	<b>\$ (1,628,120)</b>

See Paragraph on Supplementary Schedules in Auditor's Report.

SUPPLEMENTAL SCHEDULE #5

VESTAL CENTRAL SCHOOL DISTRICT  
 INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
 FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets, Net	\$ 74,445,143
 <b>Deduct:</b>	
Bond Anticipation Notes	(1,669,000)
Short-Term Portion of Bonds Payable	(3,966,777)
Short-Term Portion of Capital Leases	(264,868)
Long-Term Portion of Bonds Payable	(21,557,877)
Long-Term Portion of Capital Leases	(4,486,632)
Less: Unspent Capital Lease Proceeds	18,120
 <b>Add:</b>	
Unused Proceeds from Issued Debt	145
<b>Investment in Capital Assets, Net of Related Debt</b>	<b>\$ 42,518,254</b>

See Paragraph on Supplementary Schedules in Auditor's Report.

**VESTAL CENTRAL SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**LAST 10 FISCAL YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NYS ERS Pension Plan**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the Net Pension Liability (Asset)	0.021495%	0.021055%	0.020445%							
District's proportionate share of the Net Pension Liability (Asset)	\$ 2,019,758	\$ 3,379,373	\$ 690,664							
District's covered employee payroll	7,188,917	6,556,626	6,612,402							
District's proportionate share of the Net Pension Liability (Asset) as a percentage of it's covered employee payroll	28.10%	51.54%	10.44%							
Plan Fiduciary Net Position as a percentage of the total pension liability	94.70%	90.70%	97.90%							

*Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as the information becomes available.*

**NYS TRS Pension Plan**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the Net Pension Liability (Asset)	0.141453%	0.151184%	0.137384%							
District's proportionate share of the Net Pension Liability (Asset)	\$ 1,515,016	\$ (15,703,218)	\$ (15,303,680)							
District's covered employee payroll	\$ 21,114,883	22,632,801	23,514,250							
District's proportionate share of the Net Pension Liability (Asset) as a percentage of it's covered employee payroll	7.18%	-69.38%	-65.08%							
Plan Fiduciary Net Position as a percentage of the total pension liability	99.01%	110.46%	111.50%							

*Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as the information becomes available.*

See Paragraph on Supplementary Schedules in Auditor's Report.

**VESTAL CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NYS ERS Pension Plan**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,083,788	\$ 1,168,183	\$ 1,293,708							
Contribution in relation to the contractually required contribution	<u>1,083,788</u>	<u>1,168,183</u>	<u>1,293,708</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
District's covered employee payroll	<u>\$ 7,188,917</u>	<u>\$ 6,556,626</u>	<u>\$ 6,612,402</u>							
Contributions as a percentage of covered employee payroll	15.08%	17.82%	19.56%							

*Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as the information becomes available.*

**NYS TRS Pension Plan**

	2,017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 3,023,503	\$ 4,117,515	\$ 3,434,232							
Contribution in relation to the contractually required contribution	<u>3,023,503</u>	<u>4,117,515</u>	<u>3,434,232</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
District's covered employee payroll	<u>\$ 21,114,883</u>	<u>\$ 22,632,801</u>	<u>\$ 23,514,250</u>							
Contributions as a percentage of covered employee payroll	14.32%	18.19%	14.60%							

*Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as the information becomes available.*

See Paragraph on Supplementary Schedules in Auditor's Report.

*Officers:*

James J. Lewis, CPA\*, ABV/CVA  
Alan D. Piaker, CPA  
Roy E. Fuller, CPA  
John R. May, CPA\*  
Angelo J. Gallo, CPA  
Richard A. Lynch, CPA  
Amy E. Brown, CPA\*  
Janeen F. Sutryk, CPA\*  
Kyle J. Miesfeldt, CPA  
Thomas F. Shanahan, CPA\*



Established in 1955

(607) 729-9373  
Fax: (607) 729-6893  
Website: pnlepa.com

Philip M. Piaker, CPA  
(1921-2003)

Abraham L. Piaker, CPA  
(1925-2005)

*Retired:*  
Allan R. Lyons, CPA  
Kenneth L. Coleman, CPA

\*Also Licensed in Pennsylvania  
+Also Licensed in Maryland

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the President and Members  
of the Board of Education of the  
Vestal Central School District  
Vestal, 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 **VESTAL CENTRAL SCHOOL DISTRICT** (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20 2017.

**Internal Control over Financial Reporting**

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

Vestal Central School District

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
PIAKER & LYONS, P.C.

Binghamton, New York  
September 20, 2017

*Officers:*

James J. Lewis, CPA\*, ABV/CVA  
Alan D. Piaker, CPA  
Roy E. Fuller, CPA  
John R. May, CPA\*  
Angelo J. Gallo, CPA  
Richard A. Lynch, CPA  
Amy E. Brown, CPA+  
Janeeen F. Sutryk, CPA\*  
Kyle J. Miesfeldt, CPA  
Thomas F. Shanahan, CPA\*



Established in 1955

(607) 729-9373  
Fax: (607) 729-6893  
Website: pnlepa.com

Philip M. Piaker, CPA  
(1921-2003)

Abraham L. Piaker, CPA  
(1925-2005)

*Retired:*

Allan R. Lyons, CPA  
Kenneth L. Coleman, CPA

\*Also Licensed in Pennsylvania  
+Also Licensed in Maryland

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

To the President and Members  
of the Board of Education of the  
Vestal Central School District  
Vestal, New York

**Report on Compliance for Each Major Program**

We have audited VESTAL CENTRAL SCHOOL DISTRICT's (the "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 District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

Vestal Central School District

**Opinion on Each Major Federal Program**

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

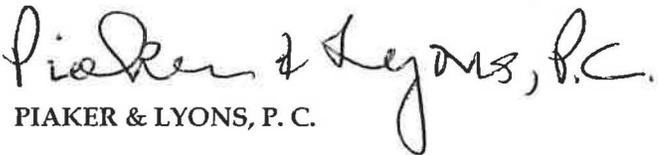
**Report on Internal Control over Compliance**

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

  
PIAKER & LYONS, P. C.

Binghamton, New York  
September 20, 2017

VESTAL CENTRAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed Through NYS Education Department:</b>			
Title I, Part A	84.010	0021-17-0195	\$ <u>337,765</u>
Title I - School Improvement Grant	84.010A	0011-17-3220	<u>26,667</u>
Title III, Part A	84.365	0149-17-0195	9,668
Title III, Part A	84.365	0149-16-0195	<u>6,767</u>
		<b>Subtotal</b>	<b><u>16,435</u></b>
<b>Special Education Cluster:</b>			
IDEA, Part B, Section 611	84.027	0032-17-0065	692,477
IDEA, Part B, Section 619	84.173	0033-17-0065	<u>19,099</u>
		<b>Subtotal</b>	<b><u>711,576</u></b>
Title II, Part A	84.367	0147-17-0195	<u>131,848</u>
Race to the Top	84.395	5500-15-0195	<u>3,186</u>
<b>Total Department of Education</b>			<b><u>1,227,477</u></b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through NYS Education Department:</b>			
<b>Child Nutrition Cluster:</b>			
<b>Non-Cash Assistance (Food Distribution)</b>			
National School Lunch Program	10.555		89,579
<b>Cash Assistance</b>			
School Breakfast Program	10.553		69,857
National School Lunch Program	10.555		<u>322,106</u>
<b>Total Department of Agriculture</b>			<b><u>481,542</u></b>
<b>Total Federal Awards Expenditures</b>			<b>\$ <u>1,709,019</u></b>

See Notes to Schedule of Expenditures of Federal Awards

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES  
JUNE 30, 2017

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with requirements of Title 2 US *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 the preparation of, the financial statements.

Indirect costs may be 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 District's policy is not to charge federal award programs with indirect costs.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**NOTE 2 - SUBRECIPIENTS**

No amounts were provided to sub recipients.

**NOTE 3 - 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 District's casualty insurance policies.

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

VESTAL CENTRAL SCHOOL DISTRICT  
NOTES  
YEAR ENDED JUNE 30, 2017

**NOTE 4 - CLUSTER OF PROGRAMS**

The following programs are identified by the Uniform Guidance to be part of a cluster of programs:

**Nutrition Cluster**

U.S. Department of Agriculture

CFDA #10.553 School Breakfast Program

CFDA #10.555 National School Lunch Program

**Special Education Cluster**

U.S. Department of Education

CFDA #84.027 IDEA, Part B, Section 611

CFDA #84.173 IDEA, Part B, Section 619

**VESTAL CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? \_\_\_\_\_ yes   X   no

Significant Deficiency(ies) identified  
not considered to be material weakness? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weakness (es) identified? \_\_\_\_\_ yes   X   no

Significant Deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

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

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

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program/Cluster**

U.S. Department of Education

#84.010  
#84.010A  
#84.367

Title I, Part A  
Title I - School Improvement Grant  
Title II, Part A

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

Auditee qualified as low-risk auditee? \_\_\_\_\_   X   yes \_\_\_\_\_ no

VESTAL CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

Prior Year

No matters were reported.

Current Year

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Prior Year

No matters were reported under the U.S. Office of Management and Budget (OMB) Compliance Supplement.

Current Year

No matters were reported under the U.S. Office of Management and Budget (OMB) Compliance Supplement.