

**DEPOSIT  
CENTRAL SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2017**



# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

## **TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2017**

Independent Auditor's Report .....	1-3
Required Supplementary Information	
Management's Discussion and Analysis .....	4-4j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position .....	5-5a
Statement of Activities .....	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds .....	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds .....	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	10
Statement of Fiduciary Net Position - Fiduciary Funds .....	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	12
Notes to Financial Statements .....	13-45
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund .....	46
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund .....	47-47a
Schedule of Funding Progress .....	48
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans .....	49-49a
Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability ...	50
Notes to Required Supplementary Information .....	51-54
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	55
Schedule of Project Expenditures - Capital Projects Fund .....	56-56a
Schedule of Net Investment in Capital Assets .....	57
Report Required Under <i>Government Auditing Standards</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	58-59

## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Deposit Central School District  
Deposit, 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 Deposit Central School District (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Emphasis of a Matter***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the Schedule of Funding Progress, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and the related notes to required supplementary information on pages 4-4j and 46-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 55-57 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

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

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 2, 2017

# ***DEPOSIT 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**

- In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," the School District recorded a liability in the amount of \$666,123. See Note 9 for more detailed information.
- The School District follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." As a result, the School District was required to record an expense of \$2,042,879 in 2017, and recognize a liability for other postemployment benefits of \$22,705,149 at June 30, 2017.
- Expenses exceeded revenues by \$1,740,958 in 2017 compared to expenses exceeding revenues in the amount of \$699,803 in 2016.
- The General Fund 2016-2017 budget was underspent by \$659,876 with an excess of expenditures and other financing uses over revenues of \$(47,751). This was primarily due to the planned use of reserves and appropriated fund balance.
- Capital asset additions during 2017 amounted to \$739,429 comprised of construction in progress related to several on-going capital projects of \$450,548, bus purchases of \$227,890, and purchases of equipment totaling \$60,991.
- The overall indebtedness of the School District, in the amount of \$9,206,689, was down \$(520,842) from 2016. This decrease resulted primarily from principal payments totaling \$588,603, amortization of bond premium of \$56,276, and the payoff of a BAN of \$1,285,472; offset by the issuance of BANs of \$(529,509) and bonds of \$(880,000).
- Unassigned fund balance in the General Fund showed a decrease in 2017, from \$611,022 to \$583,005. Total General Fund fund balance, including reserves, was \$4,946,196 at June 30, 2017, compared to \$4,993,947 at June 30, 2016. Appropriated fund balance amounted to \$500,000 at June 30, 2017 and \$840,000 at June 30, 2016.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

- NYSTRS made significant changes in assumptions related to pensions, including changing the valuation rate of interest from 8% to 7.5%. This caused the TRS asset to decline and become a liability. However, the decline was offset by related changes to outflows of resources and improvements in investment earnings. Overall, the effect of these changes in TRS and less dramatic changes in ERS had on the School District's proportionate share of pension liabilities and deferred inflows and outflows of resources had a minimal effect on net position.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

#### District-wide Financial Statements

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

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

### **Governmental Fund Financial Statements**

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

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

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The School District's combined net position for fiscal year ended June 30, 2017 decreased \$(1,740,958). Our following analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.



# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Current assets</i>	\$ 4,391,518	\$ 4,032,037	\$ (359,481)
<i>Noncurrent assets</i>	6,988,856	3,871,594	(3,117,262)
<i>Capital assets, net</i>	20,316,465	20,162,743	(153,722)
<b><i>Total Assets</i></b>	<b>31,696,839</b>	<b>28,066,374</b>	<b>(3,630,465)</b>
<i>Pensions</i>	1,293,080	3,261,933	1,968,853
<b><i>Total Deferred Outflows of Resources</i></b>	<b>1,293,080</b>	<b>3,261,933</b>	<b>1,968,853</b>
<i>Current liabilities</i>	3,243,532	2,126,644	(1,116,888)
<i>Noncurrent liabilities</i>	29,509,830	31,634,641	2,124,811
<b><i>Total Liabilities</i></b>	<b>32,753,362</b>	<b>33,761,285</b>	<b>1,007,923</b>
<i>Pensions</i>	1,106,606	178,029	(928,577)
<b><i>Total Deferred Inflows of Resources</i></b>	<b>1,106,606</b>	<b>178,029</b>	<b>(928,577)</b>
<i>Net investment in capital assets</i>	11,199,272	10,956,054	(243,218)
<i>Restricted</i>	4,061,313	5,796,743	1,735,430
<i>Unrestricted</i>	(16,130,634)	(19,363,804)	(3,233,170)
<b><i>Total Net Position</i></b>	<b>\$ (870,049)</b>	<b>\$ (2,611,007)</b>	<b>\$ (1,740,958)</b>

The decrease in current assets is based on the decrease in the current portion of unrestricted cash resulting from the approved funding of \$410,000 of the capital reserve. Noncurrent restricted cash and restricted net position increased because general and capital reserves increased compared to the prior year. Noncurrent assets also decreased due to a decrease in the proportionate share of TRS net pension assets.

Capital assets, net decreased based on capital asset depreciation exceeding capital outlay.

Current liabilities decreased mainly as a result of a decrease in BANs payable of \$755,963, as well as a decrease in accounts payable of \$274,091. Noncurrent liabilities increased due to the recognition of additional other postemployment benefits liability of \$2,042,879 and additional proportionate share of net pension liability of \$(310,960), offset by decreases in the long-term portion of bonds payable and compensated absences of \$(671,320) and \$(348), respectively.

Deferred outflows of resources increased and deferred inflows of resources decreased as a result of the requirement to recognize of ERS and TRS pension plan activity.

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

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

**Figure 2**

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 166,590	\$ 120,738	\$ (45,852)
<i>Operating grants and contributions</i>	762,927	913,633	150,706
<i>General Revenues:</i>			
<i>Real property taxes</i>	7,068,932	7,082,870	13,938
<i>Real property tax items</i>	646,639	637,156	(9,483)
<i>State sources</i>	6,709,839	6,698,921	(10,918)
<i>Use of money and property</i>	17,373	18,943	1,570
<i>Other general revenues</i>	414,288	546,644	132,356
<b>Total Revenues</b>	<b>\$ 15,786,588</b>	<b>\$ 16,018,905</b>	<b>\$ 232,317</b>
<b>PROGRAM EXPENSES</b>			
<i>General support</i>	\$ 2,172,924	\$ 2,031,206	\$ (141,718)
<i>Instruction</i>	12,517,785	13,741,803	1,224,018
<i>Pupil transportation</i>	1,033,329	1,227,013	193,684
<i>Community service</i>	1,965	1,891	(74)
<i>School lunch program</i>	385,445	437,899	52,454
<i>Interest on debt</i>	344,943	320,051	(24,892)
<b>Total Expenses</b>	<b>\$ 16,456,391</b>	<b>\$ 17,759,863</b>	<b>\$ 1,303,472</b>
<b>(DECREASE) IN NET POSITION</b>	<b>\$ (669,803)</b>	<b>\$ (1,740,958)</b>	<b>\$ (1,071,155)</b>

Total revenues for the School District's Governmental Activities increased by \$232,317, or 1.5%, while total expenses also increased \$1,303,472, or 7.9%. The increase in total revenues is primarily due to an increase in refunds for BOCES services of \$74,637, as well as a decrease in the loss on the disposal of equipment of \$45,432.

The increase in program expenses is primarily due to the recording of OPEB expense of \$2,042,879.

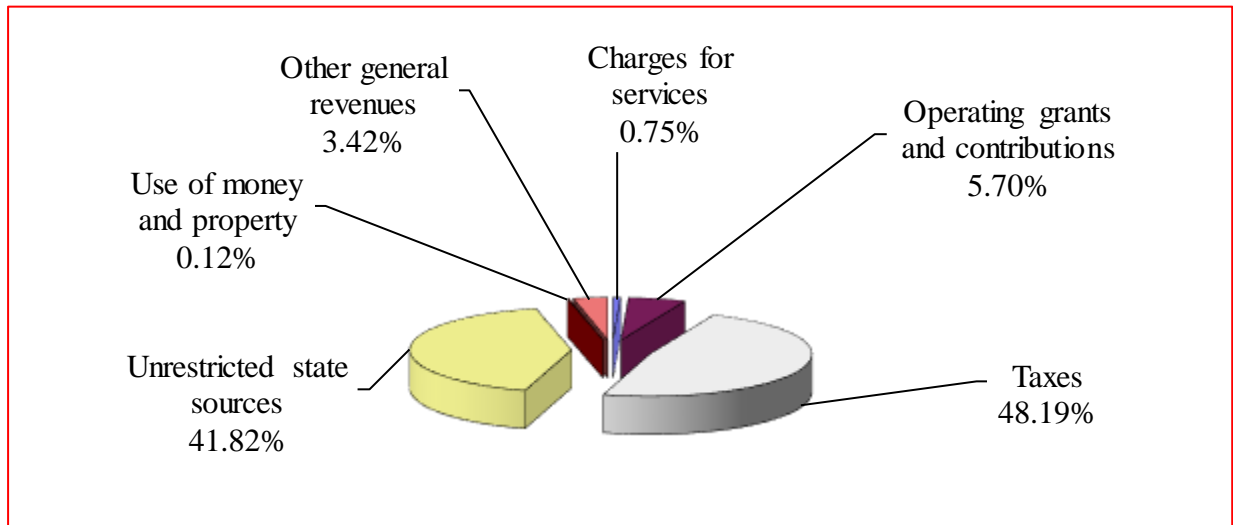
# DEPOSIT CENTRAL SCHOOL DISTRICT

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

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

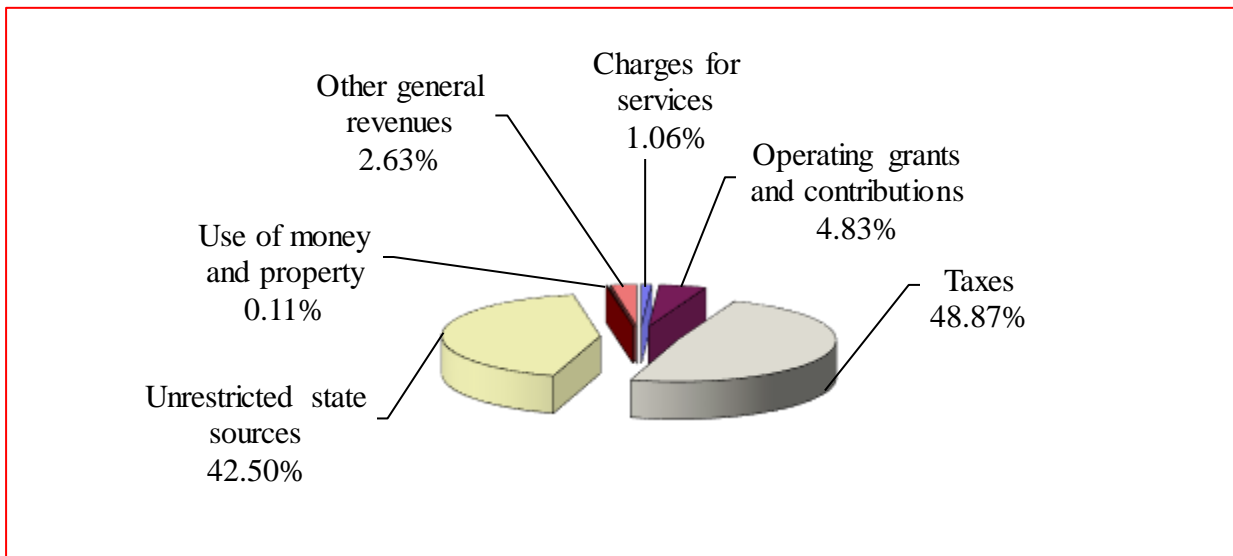
**Figure 3**

**Sources of Revenue for 2017**



**Figure 4**

**Sources of Revenue for 2016**



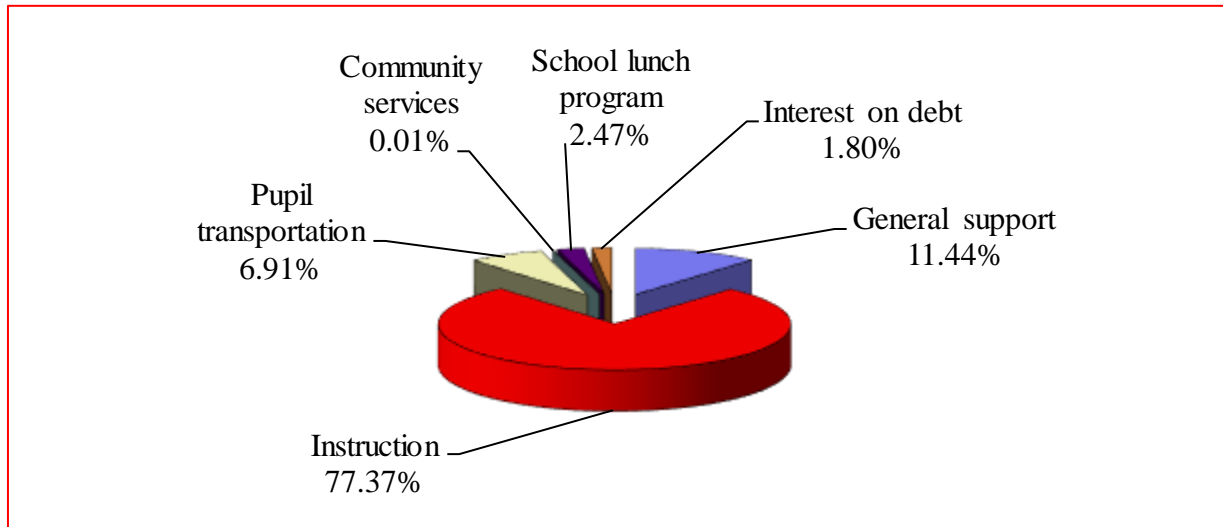
# DEPOSIT CENTRAL SCHOOL DISTRICT

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

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

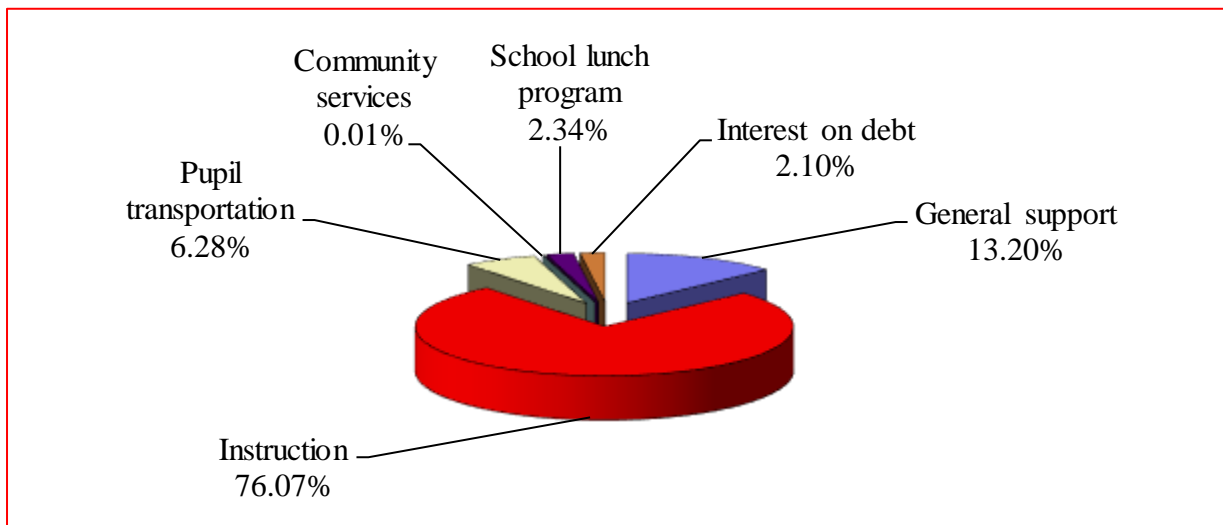
*Figure 5*

*Cost of Programs for 2017*



*Figure 6*

*Cost of Programs for 2016*



# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

*Figure 7* shows the change in total fund balances for the year for the School District's Governmental Funds.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balance of \$6,467,451; a increase of \$587,571 from the prior year. The decrease in the General Fund is primarily due to expenditures in excess of revenues. The increase in the Capital Projects Fund - Construction is primarily due to other financing sources of proceeds of serial bonds and BANs redeemed from appropriations. The decrease in the Capital Projects - Bus Purchases Fund is the result of new BANs exceeding BANs renewed or redeemed.

*Figure 7*

<i>Governmental Fund Balances</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>General Fund</i>	\$ 4,993,947	\$ 4,946,196	\$ (47,751)
<i>School Lunch Fund</i>	81,426	79,002	(2,424)
<i>Capital Projects Fund - Construction</i>	1,077,159	1,857,501	780,342
<i>Capital Projects Fund - Bus Purchases</i>	(385,472)	(529,509)	(144,037)
<i>Debt Service Fund</i>	112,820	114,261	1,441
<b><i>Total Governmental Funds</i></b>	<b>\$ 5,879,880</b>	<b>\$ 6,467,451</b>	<b>\$ 587,571</b>

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board of Education approved budgetary transfers that revised the School District's budget line items. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget.

The School District received \$225,519 more revenue than budgeted; primarily from refunds of prior years' expenses. Expenditures were less than budget (with carryover encumbrances) by \$659,876. This is primarily due to lower than expected costs related to programs for children with special needs, teaching - regular school, employee benefits, and pupil transportation.

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

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

**Figure 8**

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<b>REVENUES</b>				
<i>Real property taxes</i>	\$ 7,539,547	\$ 7,082,825	\$ 7,082,870	\$ 45
<i>Other tax items</i>	179,359	636,081	637,156	1,075
<i>State sources</i>	6,720,775	6,720,775	6,713,673	(7,102)
<i>Other, including financing sources</i>	379,860	379,860	611,361	231,501
<b><i>Total Revenues and Other Financing Sources</i></b>	<b>\$ 14,819,541</b>	<b>\$ 14,819,541</b>	<b>\$ 15,045,060</b>	<b>\$ 225,519</b>
<b>EXPENDITURES</b>				
<i>General support</i>	\$ 1,550,448	\$ 1,583,747	\$ 1,475,452	\$ 108,295
<i>Instruction</i>	7,184,908	7,479,802	7,209,857	269,945
<i>Pupil transportation</i>	775,341	692,095	582,185	109,910
<i>Community service</i>	1,700	1,700	912	788
<i>Employee benefits</i>	4,742,735	4,490,288	4,363,190	127,098
<i>Debt service</i>	1,119,413	1,119,413	1,075,615	43,798
<i>Other financing uses</i>	484,000	491,500	491,458	42
<b><i>Total Expenditures and Other Financing (Uses)</i></b>	<b>\$ 15,858,545</b>	<b>\$ 15,858,545</b>	<b>\$ 15,198,669</b>	<b>\$ 659,876</b>

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### Capital Assets

At the end of June 30, 2017, the School District had invested in a broad range of capital assets. This amount represents a net decrease of \$(153,722) over last year. The decrease was mainly due to the depreciation and loss on disposal of fixed assets in exceeding capital outlay.

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

**Figure 9**

<i>Changes in Capital Assets</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>Land</i>	\$ 42,683	\$ 42,683	\$ -
<i>Construction in progress</i>	3,040,949	3,391,497	350,548
<i>Buildings, net</i>	15,735,356	15,222,154	(513,202)
<i>Equipment, net</i>	1,497,477	1,506,409	8,932
<b><i>Total</i></b>	<b>\$ 20,316,465</b>	<b>\$ 20,162,743</b>	<b>\$ (153,722)</b>

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

Construction in progress	\$ 450,548
Equipment	288,881
Total additions	739,429
Less depreciation expense	(882,747)
Less net book value of disposed assets	(10,404)
<b>Net (Decrease) in Capital Assets</b>	<b>\$ (153,722)</b>

### Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(520,842) in 2017, as shown in Figure 10. This decrease resulted primarily from the payment of principal in the amount of \$588,603, amortization of bond premium in the amount of \$56,276, the payoff of a BAN in the amount of \$1,285,472, offset by the issuance of BANs totaling \$(529,509) and bond issuance of \$(880,000). Total indebtedness represented 54.9% of the constitutional debt limit, exclusive of building aid estimates.

**Figure 10**

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2016-2017</i>
	<i>2016</i>	<i>2017</i>	
<i>Bond anticipation notes</i>	\$ 1,285,472	\$ 529,509	\$ (755,963)
<i>Serial bonds</i>	8,442,059	8,677,180	235,121
<b><i>Total</i></b>	<b>\$ 9,727,531</b>	<b>\$ 9,206,689</b>	<b>\$ (520,842)</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 is A, which did not change from the prior year.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

- In May of 2017, the voters approved the proposed 2017-2018 School District budget in the amount of \$15.9 million.
- Also in May of 2017, the voters approved the purchase of two school buses for the School District at a total not to exceed \$241,500.

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

This financial report is designed to provide Deposit Central School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Deposit Central School District, at 171 Second Street, Deposit, New York, 13754.



# DEPOSIT CENTRAL SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

### ASSETS

#### Current Assets

Cash - Unrestricted	\$	1,464,857
Cash - Restricted		1,905,191
Receivables:		
State and federal aid		387,069
Other governments		248,821
Other		14,745
Inventories		11,354
<b>Total Current Assets</b>		<b>4,032,037</b>

#### Noncurrent Assets

Restricted cash		3,871,594
Capital assets, net:		
Land and construction in progress		3,434,180
Depreciable capital assets, net		16,728,563
<b>Total Noncurrent Assets</b>		<b>24,034,337</b>

<b>Total Assets</b>		<b>28,066,374</b>
---------------------	--	-------------------

### DEFERRED OUTFLOWS OF RESOURCES

Pensions		3,261,933
----------	--	-----------

### LIABILITIES

#### Current Liabilities

Payables:		
Accounts payable		206,497
Accrued liabilities		54,792
Due to other governments		1,608
Bond interest and matured bonds		19,144
Due to Teachers' Retirement System		569,801
Due to Employees' Retirement System		44,758
Bond anticipation notes		529,509
Unearned revenues		29,215
Current portion of long-term obligations		
Bonds payable		671,320
<b>Total Current Liabilities</b>		<b>2,126,644</b>

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

**Noncurrent Liabilities**

Bonds payable	\$ 8,005,860
Compensated absences	<u>257,509</u>
Other postemployment benefits liability	<u>22,705,149</u>
Net pension liability - proportionate share	<u>666,123</u>
<b>Total Noncurrent Liabilities</b>	<u>31,634,641</u>
<b>Total Liabilities</b>	<u>33,761,285</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>178,029</u>
----------	----------------

**NET POSITION**

Net investment in capital assets	<u>10,956,054</u>
Restricted	<u>5,796,743</u>
Unrestricted (deficit)	<u>(19,363,804)</u>
<b>Total Net (Deficit)</b>	<u><u>\$ (2,611,007)</u></u>

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

## **STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>FUNCTIONS/PROGRAMS</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
General support	\$ 2,031,206	\$	\$	\$ (2,031,206)
Instruction	13,741,803	36,701	615,319	(13,089,783)
Pupil transportation	1,227,013			(1,227,013)
Community services	1,891			(1,891)
School lunch program	437,899	84,037	298,314	(55,548)
Interest on debt	320,051			(320,051)
<b>Total Functions and Programs</b>	<b>\$ 17,759,863</b>	<b>\$ 120,738</b>	<b>\$ 913,633</b>	<b>(16,725,492)</b>

### **GENERAL REVENUES**

Real property taxes	7,082,870
Real property tax items	637,156
Use of money and property	18,943
Unrestricted state sources	6,698,921
Sale of property and compensation for loss	(7,543)
Miscellaneous	554,187

**Total General Revenues** 14,984,534

Change in Net Position (1,740,958)

Total Net (Deficit) - Beginning of Year (870,049)

**Total Net (Deficit) - End of Year** **\$ (2,611,007)**

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

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

## **BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2017**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>School Lunch Fund</b>
<b>ASSETS</b>			
Cash - Unrestricted	\$ 1,358,005	\$ 9,596	\$ 7,657
Cash - Restricted	3,757,671		47,352
Due from other funds	149,577		338
Due from other governments	248,821		
State and federal aid	201,560	167,724	17,785
Other receivables	12,572		2,173
Inventories			11,354
<b>Total Assets</b>	<b>\$ 5,728,206</b>	<b>\$ 177,320</b>	<b>\$ 86,659</b>
<b>LIABILITIES</b>			
Payables:			
Accounts payable	\$ 116,231	\$	\$ 667
Accrued liabilities	46,014	4,697	4,081
Due to other funds	338	149,577	
Due to other governments	1,188		420
Bond anticipation note payable			
Due to Teachers' Retirement System	569,801		
Due to Employees' Retirement System	44,758		
Unearned revenues	3,680	23,046	2,489
<b>Total Liabilities</b>	<b>782,010</b>	<b>177,320</b>	<b>7,657</b>
<b>FUND BALANCES</b>			
Nonspendable			11,354
Restricted	3,757,333		67,648
Assigned	605,858		
Unassigned	583,005		
<b>Total Fund Balances (Deficit)</b>	<b>4,946,196</b>	<b>-</b>	<b>79,002</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,728,206</b>	<b>\$ 177,320</b>	<b>\$ 86,659</b>

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

**Major Funds**

<b>Debt Service Fund</b>	<b>Capital Projects Fund - Construction</b>	<b>Capital Projects Fund - Buses</b>	<b>Total Governmental Funds</b>
\$	\$ 89,599	\$	\$ 1,464,857
114,036	1,857,726		5,776,785
225			150,140
			248,821
			387,069
			14,745
			11,354
<b>114,261</b>	<b>1,947,325</b>	<b>-</b>	<b>8,053,771</b>

\$	\$ 89,599	\$	\$ 206,497
			54,792
	225		150,140
			1,608
		529,509	529,509
			569,801
			44,758
			29,215
-	89,824	529,509	1,586,320
			11,354
114,261	1,857,501		5,796,743
			605,858
		(529,509)	53,496
114,261	1,857,501	(529,509)	6,467,451
<b>114,261</b>	<b>1,947,325</b>	<b>-</b>	<b>8,053,771</b>

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

**Fund Balances - Total Governmental Funds** **\$ 6,467,451**

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

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

Total historical cost	\$ 31,798,926	
Less accumulated depreciation	<u>(11,636,183)</u>	20,162,743

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

TRS net pension liability - Proportionate share	\$ (293,668)	
ERS net pension liability - Proportionate share	<u>(372,455)</u>	(666,123)

Deferred outflows of resources - pensions represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources - pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

TRS deferred inflows - Pension	\$ (111,895)	
ERS deferred inflows - Pension	(66,134)	
TRS deferred outflows - Pension	2,978,191	
ERS deferred outflows - Pension	<u>283,742</u>	3,083,904

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

Bonds payable	\$ (7,833,044)	
Unamortized premium	<u>(844,136)</u>	(8,677,180)

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

Other postemployment benefits liability	\$ (22,705,149)	
Compensated absences payable	(257,509)	
Accrued interest on debt	<u>(19,144)</u>	<u>(22,981,802)</u>

**Net (Deficit) of Governmental Activities** **\$ (2,611,007)**

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

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>School Lunch Fund</b>
<b>REVENUES</b>			
Real property taxes	\$ 7,082,870	\$	\$
Real property tax items	637,156		
Charges for services	485		
Use of money and property	17,612		
Sale of property and compensation for loss	2,861		
Miscellaneous	554,187		876
State sources	6,713,673	204,918	39,678
Medicaid reimbursement	36,216		
Federal sources		364,054	290,231
Sales - School lunch			83,161
<b>Total Revenues</b>	<b>15,045,060</b>	<b>568,972</b>	<b>413,946</b>
<b>EXPENDITURES</b>			
General support	1,400,660		
Instruction	7,181,449	560,271	200,143
Pupil transportation	579,527	35,159	
Community services	912		
Employee benefits	4,363,190		54,967
Debt service:			
Principal	692,566		
Interest	383,049		
Cost of sales			186,260
Capital outlay			
<b>Total Expenditures</b>	<b>14,601,353</b>	<b>595,430</b>	<b>441,370</b>
Excess (Deficiency) of Revenues Over Expenditures	443,707	(26,458)	(27,424)
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Redeemed from appropriations			
Operating transfers in		26,458	25,000
Operating transfers (out)	(491,458)		
<b>Total Other (Uses) Sources</b>	<b>(491,458)</b>	<b>26,458</b>	<b>25,000</b>
Net Change in Fund Balances	(47,751)	-	(2,424)
Fund Balances (Deficit) - Beginning of Year	4,993,947	-	81,426
<b>Fund Balances (Deficit) - End of Year</b>	<b>\$ 4,946,196</b>	<b>\$ -</b>	<b>\$ 79,002</b>

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

**Major Funds**

<b>Debt Service Fund</b>	<b>Capital Projects Fund - Construction</b>	<b>Capital Projects Fund - Buses</b>	<b>Total Governmental Funds</b>
\$ _____	\$ _____	\$ _____	\$ 7,082,870
_____	_____	_____	637,156
_____	_____	_____	485
1,331	_____	_____	18,943
_____	_____	_____	2,861
_____	_____	_____	555,063
_____	_____	_____	6,958,269
_____	_____	_____	36,216
_____	_____	_____	654,285
_____	_____	_____	83,161
1,331	-	-	16,029,309
_____	_____	_____	1,400,660
_____	_____	_____	7,941,863
_____	_____	_____	614,686
_____	_____	_____	912
_____	_____	_____	4,418,157
_____	_____	_____	692,566
_____	_____	_____	383,049
_____	_____	_____	186,260
_____	559,658	227,890	787,548
-	559,658	227,890	16,425,701
1,331	(559,658)	(227,890)	(396,392)
_____	900,000	83,963	983,963
110	440,000	_____	491,568
_____	_____	(110)	(491,568)
110	1,340,000	83,853	983,963
1,441	780,342	(144,037)	587,571
112,820	1,077,159	(385,472)	5,879,880
<b>\$ 114,261</b>	<b>\$ 1,857,501</b>	<b>\$ (529,509)</b>	<b>\$ 6,467,451</b>



# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

**Net Change in Fund Balances - Total Governmental Funds** **\$ 587,571**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 739,429	
Net book value of disposed assets	(10,404)	
Depreciation expense	<u>(882,747)</u>	(153,722)

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

Proceeds of obligations	\$ (880,000)	
Repayment of bond principal	588,603	
Amortization of bond premium	<u>56,276</u>	(235,121)

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

Other postemployment benefits liability	\$ (2,042,879)	
Compensated absences	<u>348</u>	(2,042,531)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Accrued interest payable	\$ 6,722	
Retainage	<u>109,109</u>	115,831

Changes in the School District's proportionate share of net pension (assets) liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (42,585)	
TRS	<u>29,599</u>	<u>(12,986)</u>

**Net Change in Net Position of Governmental Activities** **\$ (1,740,958)**

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

## **STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2017**

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash - Unrestricted	\$	\$ 55,637
Cash - Restricted	29,016	
<b>Total Assets</b>	<u>29,016</u>	<u>\$ 55,637</u>
<b>LIABILITIES</b>		
Extraclassroom activity balances		\$ 37,063
Other liabilities		18,574
<b>Total Liabilities</b>	-	<u>\$ 55,637</u>
<b>NET POSITION</b>		
Restricted for scholarships	\$ <u>29,016</u>	

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

***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 3,105
Interest	60
<b>Total Additions</b>	<b>3,165</b>
<b>DEDUCTIONS</b>	
Scholarships and awards	3,520
Change in Net Position	(355)
Net Position - Beginning of Year	29,371
<b>Net Position - End of Year</b>	<b>\$ 29,016</b>

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

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

#### **Reporting Entity**

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

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

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

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 171 Second Street, Deposit, New York, 13754.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Joint Venture**

The School District is one of 15 component school districts in the Broome-Tioga Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

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

#### **Basis of Presentation - District-wide Financial Statements**

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Basis of Presentation - Governmental Fund Financial Statements**

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

The School District reports the following Major Governmental Funds:

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Governmental Fund Financial Statements - Continued**

The School District reports the following Fiduciary Funds:

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

#### **Measurement Focus and Basis of Accounting**

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

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Cash and Investments**

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in 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.

#### **Accounts Receivable**

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

#### **Due To/From Other Funds**

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

#### **Inventories and Prepaid Items**

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

Nonspendable fund balance equal to these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.



# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2005. For assets acquired prior to June 30, 2005, assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	<b>Capitalization Threshold</b>	<b>Estimated Useful Life</b>
Buildings	\$ 5,000	40 years
Building improvements	5,000	20-30 years
Furniture and equipment	5,000	5-20 years

Depreciation has been calculated on a straight line and current basis, utilizing the half-year convention with consideration given to salvage value.

#### **Vested Employee Benefits - Compensated Absences**

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

School District employees are granted vacation time in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Postemployment Benefits**

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

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

During 2009, the School District adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Note 9.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions which are further described in Note 9.

#### **Unearned and Unavailable Revenue**

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

The Governmental Fund financial statements also report a deferred inflow of resources when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Restricted Resources**

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

#### **Equity Classifications - District-wide Financial Statements**

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

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

#### **Equity Classifications - Governmental Fund Financial Statements**

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

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Equity Classifications - Governmental Fund Financial Statements - Continued**

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

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Legally Adopted Reserves**

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

- Capital Reserve (Education Law §3657): 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 Funds and Capital Projects Fund - Construction.
- Unemployment Insurance Reserve (GML §6-m): Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the funds over the sum sufficient to pay pending claims may be transferred to any other Reserve Fund. This reserve is accounted for in the General Fund.
- Mandatory Reserve for Debt Service (GML §6-l): Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvements that were financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvements. The reserve is accounted for in the Debt Service Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Legally Adopted Reserves - Continued**

- Tax Certiorari Reserve (Education Law §3651.1a): Used to establish a Reserve Fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Employees Retirement System Reserve: Used to finance retirement contributions payable to the NY State and Local Employees' Retirement System. The reserve may be established by Board action and is funded with budgetary appropriations and such other funds as may be legally appropriated. Funds may be spent without voter approval, invested in accordance with Section 11 of GML and must be accounted for separate and apart from all other school district funds. A portion of funds may be transferred to another Reserve Fund following a public hearing. This reserve is accounted for in the General Fund.
- Workers Compensation Reserve: The Workers' Compensation Reserve (GML Section 6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for administering this self-insurance program. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

#### **Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 8, 2016. Taxes were collected during the period September 1 to October 31, 2016.

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **Interfund Transfers**

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

#### **Use of Estimates**

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

#### **New Accounting Standards**

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **New Accounting Standards - Continued**

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

#### **Future Changes in Accounting Standards**

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

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.



# DEPOSIT CENTRAL SCHOOL DISTRICT

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

### **Note 2 Participation in BOCES**

During the year ended June 30, 2017, the School District's share of BOCES income amounted to \$462,748. The School District was billed \$2,441,228 for administration and program costs.

Financial statements for Broome-Tioga BOCES are available from the BOCES administrative office at 435 Glenwood Avenue, Binghamton, New York.

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

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

The School District's aggregate bank balances of \$7,442,283 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

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

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

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

General Fund reserves	\$	3,757,333
Restricted for school lunch		47,690
Restricted for debt service		114,261
Restricted for capital projects		<u>1,857,501</u>
Subtotal		<u>5,776,785</u>
Private Purpose Trust Fund		<u>29,016</u>
<b>Total</b>	<b>\$</b>	<b><u><u>5,805,801</u></u></b>

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

**Note 4 Interfund Balances and Activity**

Governmental Fund interfund balances at June 30, 2017, are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Interfund Revenues</b>	<b>Interfund Expenditures</b>
General Fund	\$ 149,577	\$ 338	\$	\$ 491,458
School Lunch	338		25,000	
Special Aid Fund		149,577	26,458	
Capital Projects Fund - Construction		225	440,000	
Capital Projects Fund - Bus Purchases				110
Debt Service	225		110	
	<u>225</u>	<u>          </u>	<u>110</u>	<u>          </u>
<b>Total</b>	<b>\$ <u>150,140</u></b>	<b>\$ <u>150,140</u></b>	<b>\$ <u>491,568</u></b>	<b>\$ <u>491,568</u></b>

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

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

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

# DEPOSIT CENTRAL SCHOOL DISTRICT

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

**Note 5 Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 42,683	\$	\$	\$ 42,683
Construction in progress	3,040,949	450,548	(100,000)	3,391,497
Total Nondepreciable Historical Cost	<u>3,083,632</u>	<u>450,548</u>	<u>(100,000)</u>	<u>3,434,180</u>
Capital assets that are depreciated:				
Buildings	24,089,181		100,000	24,189,181
Furniture and equipment	4,089,546	288,881	(202,862)	4,175,565
Total Depreciable Historical Cost	<u>28,178,727</u>	<u>288,881</u>	<u>(102,862)</u>	<u>28,364,746</u>
Total Historical Cost	<u>31,262,359</u>	<u>739,429</u>	<u>(202,862)</u>	<u>31,798,926</u>
Less accumulated depreciation:				
Buildings	(8,353,825)	(613,202)		(8,967,027)
Furniture and equipment	(2,592,069)	(269,545)	192,458	(2,669,156)
Total Accumulated Depreciation	<u>(10,945,894)</u>	<u>(882,747)</u>	<u>192,458</u>	<u>(11,636,183)</u>
<b>Total Historical Cost, Net</b>	<b><u>\$ 20,316,465</u></b>	<b><u>\$ (143,318)</u></b>	<b><u>\$ (10,404)</u></b>	<b><u>\$ 20,162,743</u></b>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 93,977
Instruction	547,139
Pupil transportation	219,579
School lunch program	22,052
<b>Total Depreciation Expense</b>	<b><u>\$ 882,747</u></b>

**Note 6 Short-term Debt**

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

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

# *DEPOSIT CENTRAL SCHOOL DISTRICT*

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

**Note 6 Short-term Debt - Continued**

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

BAN activity for the year is summarized below:

<u>Description of Issue:</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Renewed or Redeemed</u>	<u>Ending Balance</u>
BAN 2015	0.68%	7/22/2016	\$ 900,000	\$	\$ (900,000)	\$
BAN 2015	1.47%	9/15/2016	385,472		(385,472)	
BAN 2016	1.34%	9/15/2017		301,509		301,509
BAN 2016	1.47%	9/15/2017		228,000		228,000
<b>Total</b>			<b>\$ 1,285,472</b>	<b>\$ 529,509</b>	<b>\$ (1,285,472)</b>	<b>\$ 529,509</b>

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

Interest paid	\$ 19,422
Less interest accrued in the prior year	(10,092)
Plus interest accrued in the current year	<u>5,171</u>
<b>Total</b>	<b>\$ <u>14,501</u></b>

**Note 7 Long-term Debt**

At June 30, 2017, the total outstanding indebtedness of the School District represented 54.9% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

# *DEPOSIT CENTRAL SCHOOL DISTRICT*

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

### *Note 7*    **Long-term Debt - Continued**

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

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2017</u>
2005 Serial Bond	6/15/2005	6/15/2020	4.60% - 4.70%	\$ 100,000
2010 Serial Bond	6/15/2010	6/15/2025	3.00% - 5.00%	820,000
2014 Serial Bond	6/15/2014	6/15/2032	2.00% - 5.00%	5,945,000
2017 Serial Bond	6/15/2017	6/15/2032	2.69%	880,000
2012 Statutory Installment Bond	12/12/2012	12/12/2017	2.87%	32,044
2013 Statutory Installment Bond	12/13/2013	12/13/2018	2.95%	56,000
Total Bonds				7,833,044
Unamortized Premium				844,136
<b>Total</b>				<b>\$ 8,677,180</b>

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

Interest paid	\$ 363,627
Less interest accrued in the prior year	(15,774)
Plus interest accrued in the current year	13,973
Less amortization of bond premium	(56,276)
<b>Total</b>	<b>\$ 305,550</b>

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

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial bonds	\$ 7,541,647	\$ 880,000	\$ (588,603)	\$ 7,833,044	\$ 615,044
Premium on obligations	900,412	-	(56,276)	844,136	56,276
<b>Total</b>	<b>\$ 8,442,059</b>	<b>\$ 880,000</b>	<b>\$ (644,879)</b>	<b>\$ 8,677,180</b>	<b>\$ 671,320</b>

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

**Note 7 Long-term Debt - Continued**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 615,044	\$ 362,617	\$ 977,661
2019	608,000	335,787	943,787
2020	600,000	307,221	907,221
2021	595,000	278,481	873,481
2022	630,000	250,001	880,001
2023-2027	3,270,000	782,822	4,052,822
2028-2032	1,515,000	149,701	1,664,701
<b>Total</b>	<b>\$ 7,833,044</b>	<b>\$ 2,466,630</b>	<b>\$ 10,299,674</b>

**Note 8 Other Long-term Obligations**

Other long-term obligations consist of the following:

- **Compensated Absences:** Represents funds accrued to pay for the School District's share of sick and vacation time. This liability is liquidated through the General Fund.
- **Other Post-Employment Benefits:** Represents the expected obligation for the postretirement health care benefits program. See Note 10 for further information.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated absences	\$ 257,857	\$	\$ (348)	\$ 257,509
Other postemployment benefits liability	20,662,270	3,743,302	(1,700,423)	22,705,149
<b>Total</b>	<b>\$ 20,920,127</b>	<b>\$ 3,743,302</b>	<b>\$ (1,700,771)</b>	<b>\$ 22,962,658</b>

The change in compensated absences is recorded as a net change, as it is not feasible to separate out additions and deletions.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### ***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

#### **Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)**

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

#### **Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)**

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

# DEPOSIT CENTRAL SCHOOL DISTRICT

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

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

### Summary of Significant Accounting Policies

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

### Contributions

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

		<u>ERS</u>		<u>TRS</u>
2017	\$	175,650	\$	573,461
2016		194,399		760,222
2015		210,250		728,433

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

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



# *DEPOSIT CENTRAL SCHOOL DISTRICT*

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

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

	<b>ERS</b>	<b>TRS</b>
Actuarial valuation date	4/1/2016	6/30/2015
Net pension (asset) liability	\$ 9,396,223,126	\$ 1,071,041,940
School District's proportionate share of the Plan's total net pension (asset) liability	372,455	293,668
School District's share of the net pension (asset) liability	0.0039639%	0.027419%

For the year ended June 30, 2017, the School District recognized pension expense of \$219,674 for ERS and \$(498,654) for TRS in the District-wide financial statements. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
	<b>ERS</b>	<b>TRS</b>	<b>ERS</b>	<b>TRS</b>
Differences between expected and actual experience	\$ 9,333	\$ 1,672,917	\$ 56,559	\$ 95,400
Changes in assumptions	127,244	1,672,917		
Net differences between projected and actual earnings on pension plan investments	74,394	660,319		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	28,013	104,497	9,575	16,495
School District's contributions subsequent to the measurement date	44,758	540,458		
<b>Total</b>	<b>\$ 283,742</b>	<b>\$ 2,978,191</b>	<b>\$ 66,134</b>	<b>\$ 111,895</b>

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

<b>Year Ended</b>	<b>ERS</b>	<b>TRS</b>
2018	\$ 76,821	\$ 217,040
2019	76,821	217,040
2020	67,794	729,863
2021	(48,586)	570,309
2022		268,483
Thereafter		323,103

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### ***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

#### **Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Investment rate of return	7.0%	7.5%
Salary increases	3.8%	1.90%-4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

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

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Actuarial Assumptions - Continued**

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

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

**Discount Rate**

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

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

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

<b>ERS</b>	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
School District's proportionate share of the net pension (asset) liability	\$ 1,189,547	\$ 372,455	\$ (318,395)

<b>TRS</b>	<b>1% Decrease (6.5%)</b>	<b>Current Assumption (7.5%)</b>	<b>1% Increase (8.5%)</b>
School District's proportionate share of the net pension (asset) liability	\$ 3,831,561	\$ 293,668	\$ (2,673,732)

**Pension Plan Fiduciary Net Position**

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

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

# *DEPOSIT CENTRAL SCHOOL DISTRICT*

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

**Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$44,758.

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 \$569,801.

**Effect on Net Position**

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

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
ERS:			
Net pension asset (liability)	\$ (683,415)	\$ 310,960	\$ (372,455)
Deferred outflows of resources	652,161	(368,419)	283,742
Deferred inflows of resources	(81,008)	14,874	(66,134)
Subtotal	(112,262)	(42,585)	(154,847)
TRS:			
Net pension asset (liability)	2,927,708	(3,221,376)	(293,668)
Deferred outflows of resources	640,919	2,337,272	2,978,191
Deferred inflows of resources	(1,025,598)	913,703	(111,895)
Subtotal	2,543,029	29,599	2,572,628
<b>Total</b>	<b>\$ 2,430,767</b>	<b>\$ (12,986)</b>	<b>\$ 2,417,781</b>

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### ***Note 10* Other Postemployment Benefits**

#### **Postemployment Benefits Other than Pensions**

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

Plan Description - The School District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. The School District acquires health insurance through a consortium known as the Broome-Tioga-Delaware Health Insurance Consortium. Benefits provided by the Consortium are administered by Blue Cross/Blue Shield. The Consortium plan covers medical and pharmaceutical costs.

Most benefit provisions and amendments are established through collective bargaining agreements. The School District assigns the authority to negotiate bargaining agreements to the Board of Education. The Plan does not issue a stand-alone financial report as there were no assets legally segregated for the sole purpose of paying benefits under the Plan.

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

For the year ended June 30, 2017, 98 retirees were eligible to receive benefits under the Plan. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

### **Note 10 Other Postemployment Benefits**

#### **Postemployment Benefits Other than Pensions - Continued**

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

Normal cost	\$	1,800,507
Amortization of unfunded actuarial accrued liability (UAAL)		2,285,035
Interest		61,283
Total Annual Required Contribution		4,146,825
Interest on net OPEB obligation		619,868
Adjustment to annual required contribution		(1,023,391)
Annual OPEB cost (expense)		3,743,302
Expected employer contributions		(1,700,423)
Increase in Net OPEB Obligation		2,042,879
 Net OPEB Obligation - July 1, 2016		 20,662,270
 <b>Net OPEB Obligation - June 30, 2017</b>	<b>\$</b>	<b>22,705,149</b>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 3,743,302	45.4%	\$ 22,705,149
6/30/2016	3,733,618	40.3%	20,662,270
6/30/2015	3,725,982	39.4%	20,662,270
6/30/2014	3,800,816	35.3%	16,174,268

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$45,153,007; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$6,019,622 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 750.1%.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### ***Note 10* Other Postemployment Benefits**

#### **Postemployment Benefits Other than Pensions - Continued**

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

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

In the July 1, 2016 Actuarial Valuation Report, the entry age normal actuarial cost method was used. The actuarial value of assets was determined as the accumulation of prior accruals less benefits paid. Actuarial assumptions included an interest rate of 3.0%. Additional actuarial assumptions included an initial annual medical cost trend rate of 7.5%, decreasing 0.5% per year to arrive at an ultimate rate of 4.5% in 2022.

### ***Note 11* Commitments and Contingencies**

#### **Risk Financing and Related Insurance - General Information**

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

#### **Risk Financing and Related Insurance - Health Insurance**

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by the Broome-Tioga-Delaware County Health Insurance Consortium. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members include 15 school districts and one BOCES, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.



# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### ***Note 11* Commitments and Contingencies - Continued**

#### **Risk Financing and Related Insurance - Health Insurance - Continued**

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

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

During the year ended June 30, 2017, the School District incurred premiums or contribution expenditures totaling \$3,160,145.

#### **Risk Financing and Related Insurance - Workers' Compensation Insurance**

The School District participates in the Workers' Compensation Self-Insurance Alliance (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by forwarding a resolution passed by the School District's Board of Education prior to the end of the fiscal year.

Plan members include 15 school districts and one BOCES, with the School District bearing its proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

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

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

# *DEPOSIT CENTRAL SCHOOL DISTRICT*

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

**Note 11 Commitments and Contingencies - Continued**

**Risk Financing and Related Insurance - Workers' Compensation Insurance - Continued**

During the year ended June 30, 2017, the School District incurred premiums or contribution expenditures totaling \$75,099.

**Other Items**

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

**Note 12 Fund Balance Detail**

At June 30, 2017, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	General Fund	School Lunch Fund	Capital Projects Fund - Construction	Debt Service Fund
<b>Nonspendable</b>				
Inventory	\$ _____	\$ 11,354	\$ _____	\$ _____
<b>Total Nonspendable Fund Balance</b>	<b>\$ -</b>	<b>\$ 11,354</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Restricted</b>				
Workers compensation reserve	\$ 100,188	\$ _____	\$ _____	\$ _____
Retirement contribution reserve	1,330,341			
Tax certiorari reserve	288,372			
Unemployment insurance reserve	61,630			
Employee benefit accrued liability reserve	63,423			
Capital reserve	1,913,379		1,857,501	
Debt				114,261
School lunch		67,648		
<b>Total Restricted Fund Balance</b>	<b>\$ 3,757,333</b>	<b>\$ 67,648</b>	<b>\$ 1,857,501</b>	<b>\$ 114,261</b>
<b>Assigned</b>				
Appropriated for next year's budget	\$ 500,000	\$ _____	\$ _____	\$ _____
Encumbered for:				
General support	74,792			
Instruction	28,408			
Pupil transportation	2,658			
<b>Total Assigned Fund Balance</b>	<b>\$ 605,858</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# *DEPOSIT CENTRAL SCHOOL DISTRICT*

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

**Note 13 Restricted Fund Balances**

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

<b>General Fund</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Interest Earned</b>	<b>Appropriated</b>	<b>Ending Balance</b>
Workers compensation reserve	\$ 100,102	\$	\$ 86	\$	\$ 100,188
Retirement contribution reserve	1,328,995		1,346		1,330,341
Tax certiorari reserve	288,124		248		288,372
Unemployment insurance reserve	61,577		53		61,630
Employee benefit accrued liability reserve	63,369		54		63,423
Capital reserve	1,501,754	410,000	1,625		1,913,379
<b>Total</b>	<b>\$ 3,343,921</b>	<b>\$ 410,000</b>	<b>\$ 3,412</b>	<b>\$ -</b>	<b>\$ 3,757,333</b>
<b>Capital Projects Fund - Construction</b>	<b>\$ 1,077,159</b>	<b>\$ 1,760,000</b>	<b>\$ -</b>	<b>\$ 2,208,780</b>	<b>\$ 1,857,501</b>
<b>Debt Service Fund</b>	<b>\$ 112,820</b>	<b>\$ 410</b>	<b>\$ 896</b>	<b>\$ -</b>	<b>\$ 114,261</b>

**Note 14 Tax Abatements**

For the year ended June 30, 2017, the School District was subject to property tax abatements negotiated by Broome County IDA and Delaware County IDA for the purpose of economic development. School District property tax revenue was reduced by \$(84,646). The School District received payment in lieu of tax (PILOT) payments totaling \$163,608.

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### ***Note 15* Stewardship, Compliance and Accountability**

#### **Deficit Fund Balance**

At June 30, 2017, the Capital Projects Fund - Bus Purchases had a deficit fund balance of \$(529,509). This deficit will be eliminated as short-term debt is redeemed or converted to long-term bond financing.

#### **Deficit Net Position**

At June 30, 2017, the District-wide Statement of Net Position had an unrestricted deficit net position of \$(19,363,804). This is primarily the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability (See Note 10). The deficit is not expected to be eliminated during the normal course of operations.

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 7,539,547	\$ 7,082,825	\$ 7,082,870	\$ 45
Real property tax items	<u>179,359</u>	<u>636,081</u>	<u>637,156</u>	<u>1,075</u>
Charges for services			<u>485</u>	<u>485</u>
Use of money and property	<u>27,000</u>	<u>27,000</u>	<u>17,612</u>	<u>(9,388)</u>
Sale of property and compensation for loss			<u>2,861</u>	<u>2,861</u>
Miscellaneous	<u>322,860</u>	<u>322,860</u>	<u>554,187</u>	<u>231,327</u>
<b>Total Local Sources</b>	<u>8,068,766</u>	<u>8,068,766</u>	<u>8,295,171</u>	<u>226,405</u>
 State sources	 <u>6,720,775</u>	 <u>6,720,775</u>	 <u>6,713,673</u>	 <u>(7,102)</u>
Medicaid reimbursement	<u>30,000</u>	<u>30,000</u>	<u>36,216</u>	<u>6,216</u>
 <b>Total Revenues</b>	 <u>14,819,541</u>	 <u>14,819,541</u>	 <u>15,045,060</u>	 <u>225,519</u>
 <b>OTHER FINANCING SOURCES</b>				
Operating transfers in				<u>-</u>
 <b>Total Revenues and Other Financing Sources</b>	 <u>14,819,541</u>	 <u>14,819,541</u>	 <u>\$ 15,045,060</u>	 <u>\$ 225,519</u>
 Appropriated Fund Balance	 <u>840,000</u>	 <u>840,000</u>		
 Encumbrances Carried Forward from Prior Year	 <u>199,004</u>	 <u>199,004</u>		
 <b>Total Revenues, Appropriated Reserves and Designated Fund Balance</b>	 <u>\$ 15,858,545</u>	 <u>\$ 15,858,545</u>		

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

	<b>Original Budget</b>	<b>Final Budget</b>
<b>EXPENDITURES</b>		
<b>General Support</b>		
Board of Education	\$ 26,487	\$ 27,018
Central administration	177,539	179,145
Finance	253,225	266,822
Staff	69,489	76,210
Central services	882,434	887,400
Special items	141,274	147,152
<b>Total General Support</b>	<b>1,550,448</b>	<b>1,583,747</b>
<b>Instruction</b>		
Instruction, administration, and improvement	450,460	472,318
Teaching - Regular school	2,916,109	3,103,085
Programs for children with handicapping conditions	1,918,248	1,965,181
Occupational education	393,122	411,561
Teaching - Special school	2,690	2,690
Instructional media	669,633	683,581
Pupil services	834,646	841,386
<b>Total Instruction</b>	<b>7,184,908</b>	<b>7,479,802</b>
Pupil transportation	775,341	692,095
Community services	1,700	1,700
Employee benefits	4,742,735	4,490,288
<b>Debt Service</b>		
Principal	727,566	736,363
Interest	391,847	383,050
<b>Total Debt Service</b>	<b>1,119,413</b>	<b>1,119,413</b>
<b>Total Expenditures</b>	<b>15,374,545</b>	<b>15,367,045</b>
<b>OTHER FINANCING USES</b>		
Operating transfers out	484,000	491,500
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 15,858,545</b>	<b>\$ 15,858,545</b>

Net Change in Fund Balance

Fund Balance - Beginning of Year

**Fund Balance - End of Year**

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 16,035	\$ 161	\$ 10,822
173,839		5,306
247,581	419	18,822
68,777		7,433
748,553	74,212	64,635
145,875		1,277
1,400,660	74,792	108,295
447,472	281	24,565
3,009,262	12,886	80,937
1,881,472	2,989	80,720
404,799		6,762
1,372		1,318
653,579	15	29,987
783,493	12,237	45,656
7,181,449	28,408	269,945
579,527	2,658	109,910
912		788
4,363,190		127,098
692,566		43,797
383,049		1
1,075,615	-	43,798
14,601,353	105,858	659,834
491,458	-	42
15,092,811	\$ <b>105,858</b>	\$ <b>659,876</b>
(47,751)		
4,993,947		
\$ <b>4,946,196</b>		

# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

<b>Year End Date</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
6/30/2017	7/1/2016	\$ -	\$ 45,153,007	\$ 45,153,007	0.0%	\$ 6,019,622	750.1%
6/30/2016	7/1/2014	-	46,131,300	46,131,300	0.0%	5,600,201	823.7%
6/30/2015	7/1/2014	-	46,131,330	46,131,330	0.0%	5,600,201	823.7%
6/30/2014	7/1/2012	-	46,452,214	46,452,214	0.0%	4,707,338	986.8%
6/30/2013	7/1/2012	-	46,452,214	46,452,214	0.0%	4,991,264	930.7%
6/30/2012	7/1/2011	-	47,220,461	47,220,461	0.0%	5,233,906	902.2%

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



## ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ <b>175,650</b>	\$ 194,399	\$ 210,250
Contributions in relation to the contractually required contribution	<b>175,650</b>	(194,399)	(210,250)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll for year ending June 30,	<b>1,182,017</b>	1,110,182	1,112,901
Contributions as a percentage of covered - employee payroll	<b>14.9%</b>	17.5%	18.9%

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ <b>540,458</b>	\$ 573,461	760,222
Contributions in relation to the contractually required contribution	<b>540,458</b>	(573,461)	(760,222)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll for year ending June 30,	<b>4,611,416</b>	4,324,744	4,344,126
Contributions as a percentage of covered - employee payroll	<b>11.7%</b>	13.3%	17.5%

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

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ <u>214,781</u>	\$ <u>200,145</u>	\$ <u>185,544</u>	\$ <u>130,634</u>	\$ <u>88,724</u>	\$ <u>69,898</u>	\$ <u>102,554</u>
(214,781)	(200,145)	(185,544)	(130,634)	(88,724)	(69,898)	(102,554)
-	-	-	-	-	-	-
1,102,215	1,156,892	1,211,198	1,209,317	1,182,847	1,072,496	1,112,168
19.5%	17.3%	15.3%	10.8%	7.5%	6.5%	9.2%

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ <u>728,433</u>	\$ <u>469,084</u>	\$ <u>453,142</u>	\$ <u>394,731</u>	\$ <u>339,259</u>	\$ <u>409,701</u>	\$ <u>350,203</u>
(728,433)	(469,084)	(453,142)	(394,731)	(339,259)	(409,701)	(350,203)
-	-	-	-	-	-	-
4,468,814	3,961,858	4,078,686	4,579,246	5,480,759	5,369,607	4,011,493
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

## ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
School District's proportion of the net pension (asset) liability	<b>0.0039639%</b>	0.0042580%	0.0040783%
School District's proportionate share of the net pension (asset) liability	<b>\$ 372,455</b>	\$ 683,415	\$ 137,776
School District's covered-employee payroll during the measurement period	<b>1,170,219</b>	1,097,282	1,107,105
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>31.8%</b>	62.3%	12.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>94.7%</b>	97.9%	97.9%

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
School District's proportion of the net pension (asset) liability	<b>0.027419%</b>	0.028187%	0.030347%
School District's proportionate share of the net pension (asset) liability	<b>\$ 293,668</b>	\$ (2,927,708)	\$ (3,380,420)
School District's covered-employee payroll during the measurement period	<b>4,324,744</b>	4,344,126	4,468,814
School District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	<b>6.8%</b>	(67.4%)	(75.6%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	<b>99.0%</b>	110.5%	111.5%

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### ***Note 1* Budgetary Procedures and Budgetary Accounting**

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

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred.

Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 15,659,541
Carryover Encumbrances	<u>199,004</u>
Original Budget	<u>15,858,545</u>
<b>Final Budget</b>	<b><u>\$ 15,858,545</u></b>

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

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

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

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

### ***Note 3* Schedule of Funding Progress**

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

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **NYSLRS:**

##### **Changes in Benefit Terms**

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

##### **Changes of Assumptions**

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

##### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

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

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

#### **NYSTRS:**

##### **Changes in Benefit Terms**

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

#### **NYSTRS - Continued**

##### **Changes of Assumptions**

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

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

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

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

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

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

**NYSTRS - Continued**

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

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

Actuarial cost method The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.

Asset valuation method Five-year phased in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.

Inflation 2.5%

Projected salary increases Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return 7.5% compounded annually, net of investment expenses, including inflation.

Projected cost of living adjustments 1.5% compounded annually

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

### **CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ <u>15,659,541</u>
Prior year's encumbrances	<u>199,004</u>
Original Budget	<u>15,858,545</u>
Total Additions	<u>-</u>
<b>Final Budget</b>	<b>\$ <u><u>15,858,545</u></u></b>

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

Next year's 2017-2018 voter approved budget	\$ <u>15,899,689</u>
Maximum allowed (4% of 2017-2018 Budget)	\$ <u><u>635,988</u></u>

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

Unrestricted Fund Balance:

Assigned fund balance	\$ 605,858
Unassigned fund balance	<u>583,005</u>
Total Unrestricted Fund Balance	<u>1,188,863</u>

Less:

Appropriated fund balance	\$ 500,000
Encumbrances included in assigned fund balance	<u>105,858</u>
Total Adjustments	<u>605,858</u>

**General Fund Fund Balance Subject to §1318 of Real Property Law** **\$ 583,005**

Actual Percentage 3.7%

*See Independent Auditor's Report*



# **DEPOSIT CENTRAL SCHOOL DISTRICT**

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

<b>PROJECT TITLE</b>	<b>Expenditures</b>					
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Transfer to Debt Service</b>	<b>Total</b>
2017 Buses	\$ 228,000	\$ 227,890	\$	\$ 227,890	\$ 110	\$ 228,000
Comfort Stations 7020-001	160,000	160,000	214	137,815		138,029
Deposit Elementary 0002-005	718,000	560,888	292,965	157,885		450,850
Jr./Sr. High School Track and Field Renovations 0001-018	2,700,000	2,916,939	2,088,809	10,329		2,099,138
Jr./Sr. High School 0001-019	100,000	100,000	-	100,000		100,000
Jr./Sr. High School 0001-020	806,200	806,200		62,119		62,119
Deposit Elementary 0002-007	829,400	829,400		23,273		23,273
Warner Stor. 2016-001	121,440	120,800		3,448		3,448
Stadium Stor. 2017-001	281,160	227,800		7,758		7,758
Bus Garage 4004-006	1,065,800	1,065,800		57,031		57,031
Capital Improvements	3,100,000	3,100,000				
Subtotal	10,110,000	10,115,717	2,381,988	787,548	110	3,169,646
Unredeemed BANs - Buses						-
<b>Total</b>	<b>\$ 10,110,000</b>	<b>\$ 10,115,717</b>	<b>\$ 2,381,988</b>	<b>\$ 787,548</b>	<b>\$ 110</b>	<b>\$ 3,169,646</b>

**\*Architectural and State approved budget modifications for sub-project reallocations not yet finalized and available at this report date.**

*See Independent Auditor's Report*

<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balance June 30, 2017</u>	
	<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>		<u>Total</u>
\$ (110)	\$ 144,037	\$	\$ 83,963	\$ 228,000	\$ -
21,971			160,000	160,000	21,971 *
110,038				-	(450,850) *
817,801	1,887,326		811,821	2,699,147	600,009 *
-			100,000	100,000	- *
744,081				-	(62,119) *
806,127				-	(23,273) *
117,352			140,000	140,000	136,552 *
220,042			200,000	200,000	192,242 *
1,008,769				-	(57,031) *
			1,500,000	1,500,000	1,500,000 *
3,846,071	2,031,363	-	2,995,784	5,027,147	1,857,501
-	(529,509)			(529,509)	(529,509)
<b>\$ 3,846,071</b>	<b>\$ 1,501,854</b>	<b>\$ -</b>	<b>\$ 2,995,784</b>	<b>\$ 4,497,638</b>	<b>\$ 1,327,992</b>

# ***DEPOSIT CENTRAL SCHOOL DISTRICT***

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

Capital assets, net	\$ <u>20,162,743</u>
<b>Deduct</b>	
Premium on bonds payable - short-term portion	<u>(56,276)</u>
Premium on bonds payable - long-term portion	<u>(787,860)</u>
BAN payable	<u>(529,509)</u>
Short-term portion of bonds payable	<u>(615,044)</u>
Long-term portion of bonds payable	<u>(7,218,000)</u>
<b>Net Investment in Capital Assets</b>	<b>\$ <u><u>10,956,054</u></u></b>

*See Independent Auditor's Report*

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

Board of Education  
Deposit Central School District  
Deposit, 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 Deposit Central School District (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated October 2, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully Submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 2, 2017