LAFAYETTE CENTRAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

LAFAYETTE CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 3, 2017

To the Board of Education of
LaFayette Central School District:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the LaFayette Central School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 from 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 aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter
As described in Note 4 to the financial statements, the fund balance at July 1, 2016 of the major and non-major fund, was reduced by $371,694 to reflect the correction of errors related to understatement of expenses.

As described in Note 4 to the financial statements, net position at July 1, 2016 of the governmental activities opinion unit was reduced by $371,694 to reflect the correction of these errors.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Funding Progress-Other Postemployment Benefits, Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions - Pension Plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Balance Sheet and Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Non-major Governmental Funds; the Schedule of Change from Original Budget to Revised Budget and the Real Property Tax Limit - General Fund; Schedule of Project Expenditures - Capital Projects Fund; and the Schedule of Net Investment in Capital Assets are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters (Continued)

Other Information (Continued)
The Schedule of Change from Original Budget to Revised Budget and the Real Property Tax Limit - General Fund; Schedule of Project Expenditures - Capital Projects Fund; and the Schedule of Net Investment in Capital Assets have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

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

FINANCIAL HIGHLIGHTS

- At June 30, 2017 and 2016, total assets (what the District owns) exceeded its total liabilities (what the District owes) by $15,919,470 and $15,181,194 (net position), respectively, an increase of $738,276 from 2016 to 2017.

- Capital assets, net of accumulated depreciation during 2016-2017 amounted to approximately $30 million.

- General revenue, which includes State aid, and property taxes, accounted for approximately $20 million of all revenue. Program specific revenue in the form of Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions accounted for $3,877,502 of total revenue.

- Total expenses for in the government-wide financial statements totaled $23,089,885 and $20,988,522 in 2017 and 2016, respectively.

- As of the close of the fiscal year, The District's governmental funds reported combined fund balances (deficit) of $5,342,934 and ($4,609,343) in 2017 and 2016, respectively, an increase of $9,952,277 from 2016 to 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

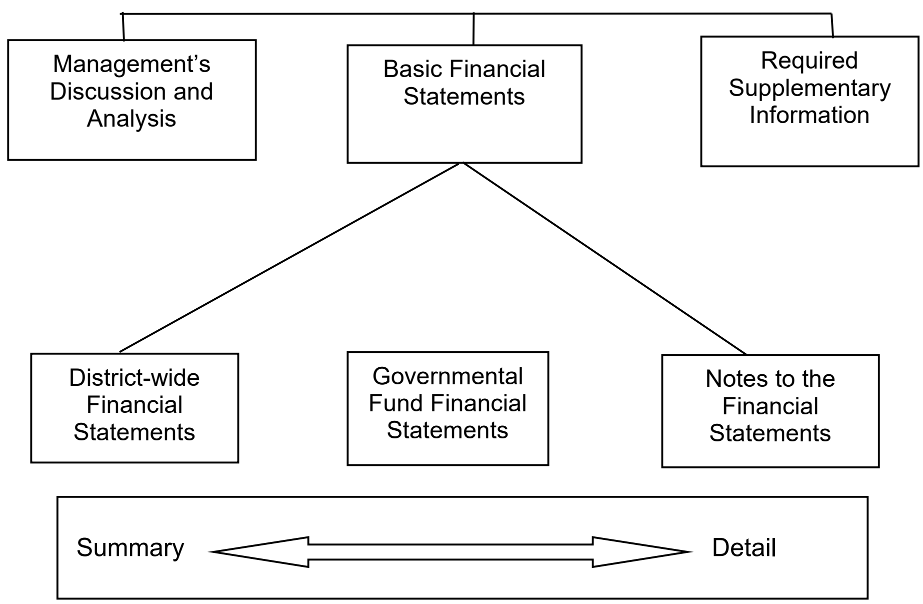
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.

  - The Governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.

  - Fiduciary fund statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1 Organization of the District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

Table A-2 Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows-outflows of resources/liability information	All assets/deferred outflows and liabilities/deferred inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- For assessment of the overall health of the District, additional nonfinancial factors, such as changes in the property tax base and the condition of buildings and other facilities, should be considered.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements (Continued)

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net investment in capital assets.
  - Restricted net position includes resources with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out of the District and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explain the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General fund, Special Aid fund, School Lunch fund, Debt Service fund and the Capital Projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole

Our analysis below focuses on the net position (Table A-3) and the change in net position (Table A-4) of the District-wide governmental activities.

Table A-3 Condensed Statements of Net Position - Governmental Activities (in thousands)

	Fiscal Year 2017	(Restated) Fiscal Year 2016	Percent Change
Current assets	$ 11,024	$ 16,183	-31.88%
Non-current assets	30,194	35,561	-15.09%
Total assets	41,218	51,744	-20.34%
Deferred outflow	6,225	2,371	162.59%
Current liabilities	5,710	20,822	-49.64%
Long-term liabilities	25,509	16,047	-70.79%
Total liabilities	31,219	36,869	-15.33%
Deferred inflow	305	2,065	-85.24%
Net position:			
Net investment in capital assets	14,574	16,431	-11.30%
Restricted	2,931	3,672	-20.15%
Unrestricted (Deficit)	(1,586)	(4,922)	-67.78%
Total net position	$ 15,919	$ 15,181	4.86%

In Table A-3, total assets at June 30, 2017 were approximately $10.5 million lower than at June 30, 2016. Non-current assets decreased approximately $5.3 million, due to the change in net pension asset of $5.5 million and a cumulative effect of a capital assets adjustment.

Deferred outflows/inflows mostly account for the GASB No. 68, recording of pensions.

Total liabilities increased by approximately $5.6 million due primarily to the increase of net pension liability, other post-employment benefits and compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole (Continued)

Table A-4 Changes in Net Position from Operating Results - Governmental Activities (in thousands)

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Revenue:			
Charges for services	$ 2,570	$ 2,345	9.62%
Operating and capital grants	1,307	1,121	16.65%
General revenue:			
Real property taxes	4,862	4,828	0.70%
Nonproperty tax	930	972	-4.33%
State and Federal sources	13,546	15,342	-11.71%
Use of money and property	133	135	-1.21%
Other	480	513	-6.47%
Total revenue	23,828	25,256	-5.65%
Expenses:			
General support	3,436	3,566	-3.66%
Instruction	16,943	14,834	14.21%
Pupil transportation	1,412	1,388	1.75%
Interest	700	321	118.44%
Community service	2	3	-12.00%
School lunch program	597	877	-31.96%
Total expenses	23,090	20,989	10.01%
Increase in net position	$ 738	$ 4,267	-82.70%

Changes in Net Position

The District's total fiscal year 2017 revenues totaled $23.8 million. (See Table A-4). Property taxes (including other tax items) and state and federal sources formula aid accounted for most of the District's revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled $23 million for fiscal year 2017. These expenses are predominately related to general instruction, which account for 73% of District expenses. (See Table A-6). The District's general support activities accounted for 15% of total costs.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2017

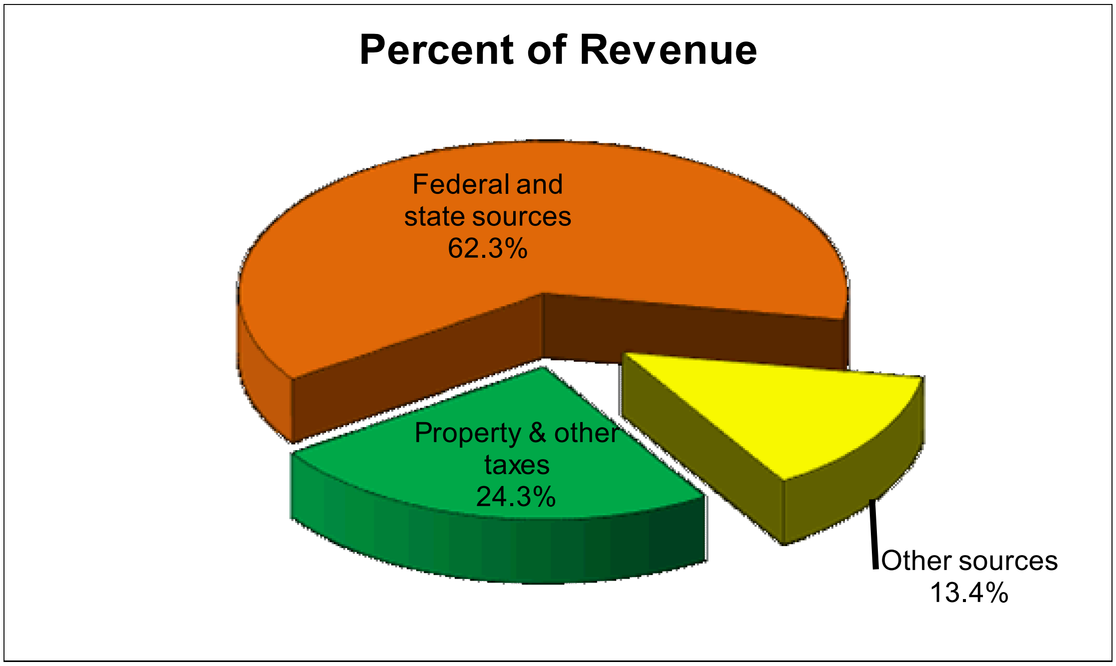
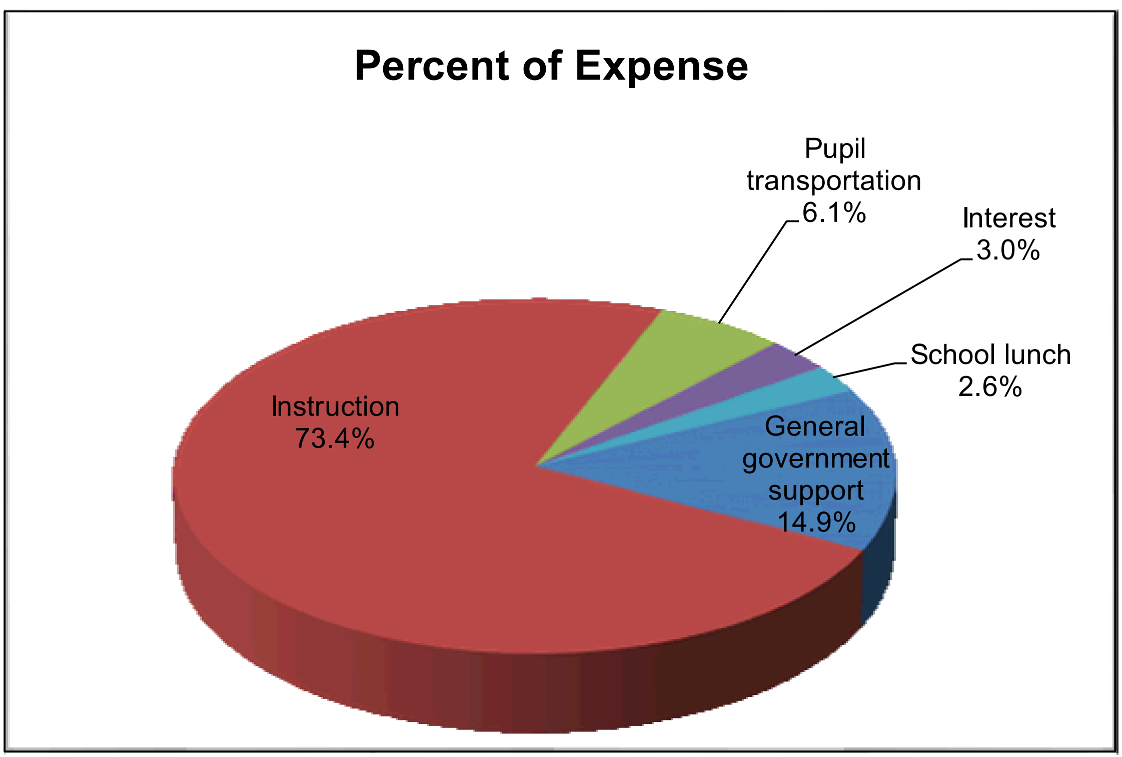


Table A-6 Expenses for Fiscal Year 2017



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District's Funds

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt, liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At June 30, 2017, the District, in its governmental funds, reported combined fund balances of $5.3 million, an increase of $9.9 million over the prior year. The District's governmental funds operated at a surplus in 2016-2017.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General fund.

Table A-7 Results vs. Budget (in thousands)

	Original Budget	Final Budget	Actual	Encumbrances	Variance Positive/ (Negative)
Revenue:					
Local sources	$ 7,997	$ 7,997	$ 8,614	$ -	$ 617
State and federal sources	15,208	15,208	13,546	-	(1,662)
Total	23,205	23,205	22,160	-	(1,045)
Expenditures:					
General support	2,797	2,873	2,332	25	516
Instruction	12,090	12,094	11,236	44	814
Employee benefits	5,603	5,484	4,864	-	620
Transportation	975	979	828	13	138
Debt service	2,228	2,250	4,632	-	(2,382)
Other	2	2	2	-	-
Other financing sources (uses)	60	128	(2,285)	-	2,413
Total	23,755	23,810	21,609	82	2,119
Revenue over (under) expense	$ (550)	$ (605)	$ 551	$ (82)	$ 1,074

The General fund is the only fund for which a budget is legally adopted, and includes the Onondaga Nation School budget. For the purposes of the above analysis the budget columns do not include appropriated fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The following significant variances between budget and actual occurred during fiscal 2017:

- Revenues from State sources was approximately $1.6 million less than budgeted.
- Central services expenditures was approximately $356 thousand less than budgeted and Programs for special needs children was approximately $248 thousand less than budgeted for 2017.
- Teaching – regular school costs was approximately $382 thousand less than budgeted.
- Employee benefits was approximately $620 thousand less than budgeted.

Capital Assets

As of June 30, 2017, the District had invested in a broad range of capital assets. The net increase in capital assets is due to capital additions exceeding depreciation expense for the year ending June 30, 2017.

Table A-8 Capital Assets (net of depreciation)

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Category:			
Land	$ 156,400	$ 156,400	0.00%
Construction in progress	21,968	11,664,352	-99.81%
Site improvements	-	85,362	-100.00%
Buildings and improvements	28,956,397	17,013,585	70.20%
Furniture, equipment and vehicles	1,059,640	1,081,988	-2.07%
Total	$ 30,194,405	$ 30,001,687	0.64%

Long-Term Debt

At year-end, the District had $16 million in general obligation bonds outstanding and $10 million in other long term liabilities. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-9 Outstanding Long-Term Debt

	Fiscal Year 2017	Fiscal Year 2016	Percent Change
Category:			
General obligation bonds	$ 15,620	$ 6,745	131.58%
Net pension liability - ERS	699	1,148	-39.13%
Net pension liability - TRS	569	-	100.00%
Compensated absences	540	509	6.00%
Other postemployment benefit obligation	8,081	7,645	5.69%
	$ 25,509	$ 16,047	58.97%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

At the time these financial statements were prepared and audited, the District was not aware of any extraordinary circumstances or factors that would significantly impact the District's financial position in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact: Lafayette Central School District 5955 Route 20 West, LaFayette, New York 13084.

LAFAYETTE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS and DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,713,175
Cash and cash equivalents - restricted	2,931,604
Accounts receivable	14,513
Due from fiduciary fund	102,672
Due from Federal and State governments	6,238,751
Due from other governments	107
Prepaid expenses	12,692
Inventory	10,337
Total current assets	11,023,851
NON-CURRENT ASSETS:	
Capital assets, net	30,194,405
Total noncurrent assets	30,194,405
Total assets	41,218,256
DEFERRED OUTFLOWS OF RESOURCES	
Pension related - TRS	5,686,992
Pension related - ERS	537,916
Total deferred outflows of resources	6,224,908
LIABILITIES DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Managed cash overdraft	374,551
Accounts payable	78,087
Accrued liabilities	83,251
Unearned revenue	15,490
Revenue anticipation note payable	4,000,000
Due to Teachers' Retirement System	1,072,692
Due to Employees' Retirement System	85,626
Total current liabilities	5,709,697
LONG-TERM LIABILITIES:	
Due and payable within one year -	
Bonds payable	1,541,000
Due and payable after one year -	
Net pension liability - ERS	698,785
Net pension liability - TRS	568,959
Other postemployment benefits	8,080,821
Compensated absences	539,912
Bonds payable, net of bond premium	14,079,779
Total long-term liabilities due and payable after one year	23,968,256
Total long-term liabilities	25,509,256
Total liabilities	31,218,953
DEFERRED INFLOWS OF RESOURCES	
Pension related - TRS	190,858
Pension related - ERS	113,884
Total deferred inflows of resources	304,742
NET POSITION	
Net investment in capital assets	14,573,626
Restricted	2,931,604
Unrestricted	(1,585,761)
Total net position	$ 15,919,469

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenue			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS:					
General governmental support	$ 3,436,014	$ -	$ -	$ -	$ (3,436,014)
Instruction	16,942,226	2,446,732	590,590	393,614	(13,511,290)
Pupil transportation	1,412,044	-	-	-	(1,412,044)
Community service	2,200	-	-	-	(2,200)
Interest	700,387	-	-	-	(700,387)
School lunch program	597,014	123,521	323,045	-	(150,448)
Total functions/programs	$ 23,089,885	$ 2,570,253	$ 913,635	$ 393,614	(19,212,383)
GENERAL REVENUE:					
Real property taxes					4,862,126
Other tax items					929,732
Use of money and property					133,268
Sale of property and compensation for loss					30,909
Miscellaneous					449,078
State and federal sources					13,545,545
Total general revenue					19,950,658
CHANGE IN NET POSITION					738,275
NET POSITION - beginning of year, as previously stated					15,552,888
PRIOR PERIOD ADJUSTMENT (Note 4)					(371,694)
NET POSITION -beginning of year, as restated					15,181,194
NET POSITION - end of year					$ 15,919,469

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,133,666	$ 579,509	$ 1,713,175
Cash and cash equivalents - restricted	2,838,261	93,343	2,931,604
Accounts receivable	14,513	-	14,513
Due from other funds	4,724,351	1,555,629	6,279,980
Due from Federal and State governments	5,647,412	591,339	6,238,751
Due from other governments	-	107	107
Prepaid expenditures	-	12,692	12,692
Inventory	-	10,337	10,337
Total assets	$ 14,358,203	$ 2,842,956	$ 17,201,159
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Managed cash overdraft	$ -	$ 374,551	$ 374,551
Accounts payable	61,310	16,777	78,087
Accrued liabilities	50,352	4,119	54,471
Unearned revenue		15,490	15,490
Due to other funds	4,871,089	1,306,219	6,177,308
Due to Teachers' Retirement System	1,072,692	-	1,072,692
Due to Employees' Retirement System	78,662	6,964	85,626
Revenue anticipation note payable	4,000,000	-	4,000,000
Total Liabilities	10,134,105	1,724,120	11,858,225
FUND BALANCES:			
Nonspendable -			
Inventory and prepaid expenditures	-	23,029	23,029
Restricted for -			
Property loss reserve	350,000	-	350,000
Retirement contributions reserve	727,424	-	727,424
Employee benefit and accrued liability reserve	497,582	-	497,582
Unemployment insurance reserve	178,349	-	178,349
Repair reserve	583,526	-	583,526
Liability reserve	501,380	-	501,380
Capital projects		61,680	61,680
Debt service	-	1,050,759	1,050,759
Assigned to -			
Appropriated for subsequent years' expenditures	636,423	-	636,423
Unassigned	749,414	(16,632)	732,782
TOTAL FUND BALANCES	4,224,098	1,118,836	5,342,934
TOTAL LIABILITIES AND FUND BALANCE	$ 14,358,203	$ 2,842,956	$ 17,201,159

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different from amounts reported in the balance sheet because:

Fund balance - total Governmental funds	$ 5,342,934
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	30,194,405
Deferred outflows/inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the funds.	
Deferred outflows - TRS	5,686,992
Deferred outflows - ERS	537,916
Deferred inflows - TRS	(190,858)
Deferred inflows - ERS	(113,884)
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension liability - TRS	(568,959)
Net pension liability - ERS	(698,785)
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds:	
Accrued interest	(28,780)
Bonds payable, net of bond premium	(15,620,779)
Other postemployment benefits	(8,080,821)
Compensated absences	(539,912)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 15,919,469

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

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

	General	Non-major Governmental Funds	Total Governmental Funds
REVENUE:			
Real property taxes	$ 4,862,126	$ -	$ 4,862,126
Other tax items	929,732	-	929,732
Charges for services	2,446,732	-	2,446,732
Use of money and property	28,081	105,187	133,268
Sale of property and compensation for loss	25,475	5,666	31,141
Miscellaneous	321,950	127,128	449,078
State sources	13,486,553	644,525	14,131,078
Federal sources	58,992	662,724	721,716
Sales	-	123,521	123,521
Total revenue	22,159,641	1,668,751	23,828,392
EXPENDITURES:			
General support	2,331,422	-	2,331,422
Instruction	11,236,153	1,063,586	12,299,739
Pupil transportation	827,950	8,774	836,724
Employee benefits	4,863,899	109,519	4,973,418
Community service	2,200	-	2,200
Cost of sales	-	510,664	510,664
Capital outlays	-	993,111	993,111
Debt service -			
Debt issuance costs	-	181,292	181,292
Principal	3,977,222	-	3,977,222
Interest	654,837	-	654,837
Total expenditures	23,893,683	2,866,946	26,760,629
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,734,042)	(1,198,195)	(2,932,237)
OTHER FINANCING SOURCES AND (USES):			
BAN's redeemed from appropriations	-	2,802,222	2,802,222
Proceeds from issuance of debt	-	8,651,000	8,651,000
Premium on debt issuance	-	1,431,292	1,431,292
Transfers in	2,411,503	126,010	2,537,513
Transfers (out)	(126,010)	(2,411,503)	(2,537,513)
Total other financing sources (uses)	2,285,493	10,599,021	12,884,514
CHANGE IN FUND BALANCE	551,451	9,400,826	9,952,277
FUND BALANCES - beginning of year, as previously reported	4,033,592	(8,271,241)	(4,237,649)
PRIOR PERIOD ADJUSTMENT (Note 4)	(360,945)	(10,749)	(371,694)
FUND BALANCE - beginning of year, as restated	3,672,647	(8,281,990)	(4,609,343)
FUND BALANCES - end of year	$ 4,224,098	$ 1,118,836	$ 5,342,934

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

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

Amounts reported for governmental activities in the Statement of Net Activities are different from amounts reported in the Statement of Revenue, Expenditures, and Change In Fund Balances because:

Net changes in fund balance - total governmental funds	$ 9,952,277
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	1,004,057
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(811,107)
Disposal of assets not fully depreciated resulting in a loss in the statement of activities	(232)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position	1,175,000
Bond proceeds and premium on debt issuance are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities:	
Bond proceeds	(8,651,000)
Premium on debt issuance	(1,431,292)
Amortization of the deferred amount on refunding, net of amortization of premium is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(46,505)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	12,009
Certain expenses in the statement of activities do not require the use of current resources and are; therefore, not reported as expenditures in the governmental funds: funds:	
Change in accrued interest	954
Change in compensated absences	(30,538)
Change in other postemployment benefits	(435,348)
Change in net position - governmental activities	$ 738,275

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

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

	Private Purpose Trusts	Agency
ASSETS:		
Cash and cash equivalents - restricted	$ 79,509	$ 287,553
Due from other funds	2,054	700
Total assets	81,563	$ 288,253
LIABILITIES:		
Extraclassroom activity balances	-	$ 79,382
Due to other funds	700	104,726
Other liabilities	-	104,145
Total liabilities	$ 700	$ 288,253
NET POSITION:		
Restricted for scholarships	80,863	
Total net position	80,863	
TOTAL LIABILITIES AND NET POSITION	$ 81,563	

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

ADDITIONS:	
Gifts and contributions	$ 2,088
Investment earnings	65
Total additions	2,153
DEDUCTIONS:	
Scholarships and awards	4,200
CHANGE IN NET POSITION	(2,047)
NET POSITION - beginning of year	82,910
NET POSITION - end of year	$ 80,863

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS

Lafayette Central School District (the District) provides free K-12 public education to students living within its geographic borders.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

Certain significant accounting principles and policies utilized by the District are described below:

Reporting Entity
The District is governed by the Laws of New York State. The District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The financial reporting entity includes the Onondaga Nation School. The Onondaga Nation School is funded by Native American aid.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. A component unit is included in the District's reporting entity if it is both fiscally dependent on the District and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the District. Based on the application of these criteria there are no component units included in the District's financial statements.

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The District is a component school district in the Onondaga-Cortland-Madison BOCES (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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 the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

Basis of Presentation

District-Wide Statements

The District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)
Fund Financial Statements (Continued)

The District reports the following major governmental fund:

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

The District reports the following non-major governmental funds:

- *Special Aid Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- *School Lunch Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- *Capital Projects Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

- *Debt Service Fund* - This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of the governmental activities.

The District reports the following fiduciary funds:

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

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

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

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 dates of the financial statements and the reported revenue 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to October 31. Taxes not collected by October 31 are turned over to the County who assumes all responsibility for collection.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory
Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

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

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

Capital Assets
Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and Improvements	$ 5,000	SL	25-50 years
Site Improvements	$ 5,000	SL	20 years
Furniture, Equipment and Vehicles	$ 5,000	SL	5 - 20 years

Vested Employee Benefits
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.

District employees are granted vacation 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 generally accepted accounting principles, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits (Continued)

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

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

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The 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 (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Other Postemployment Benefits

In addition to providing the pension benefits described, the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the District recognizes the cost of providing health care 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.

Unearned Revenue

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the 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 both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

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

Short-Term Debt

The District may issue Revenue Anticipation Notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations
Payables, accrued liabilities, and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

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

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

District-Wide Statements - Equity Classifications
In the District-wide statements there are three classes of net position:

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

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

Unrestricted net position - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Governmental Fund Financial Statements - Equity Classifications
In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund.

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

<u>Capital reserve</u>
Capital reserve (Education Law §3651) is 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. Expenditures 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 capital projects fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity Classifications (Continued)

Property loss and liability reserve
Property loss reserve and liability reserves (Education Law §1709(8)c) are is used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget of $15,000, whichever is greater. These reserves are accounted for in the general fund.

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

Debt service reserve
Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund.

Retirement contribution reserve
Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund.

Employee benefits accrued liability reserve
Employee benefits accrued liability reserve (GML §6-p) is used for payment of any accrued employee benefit 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.

Unemployment insurance reserve
The unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the District has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to the tax (contribution) basis, excess resources in the fund may be transferred to any other reserve fund. The reserve is accounted for in the general fund under restricted fund balance.

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the BOE.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity Classifications (Continued)

Assigned fund balance - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year's budget and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

The 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 at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **Long-Term Revenue and Expense Differences**
  Long-term revenue differences arise because governmental funds report revenue only when it is considered "available," whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED)

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued)

- **Capital Related Differences**
  Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

- **Long-Term Debt Transaction Differences**
  Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. RESTATEMENT OF FUND BALANCE AND NET POSITION

Fund balance as of July 1, 2016 has been restated to reflect a correction of an error. As of June 30, 2016, the District's financial statements erroneously understated health, dental and vision expenses by $371,694 due to being incorrectly allocated to the trust and agency fund. As a result, fund balance as of July 1, 2016 has been adjusted to reflect the following:

	Governmental Funds	
	(Major governmental fund) General Fund	(Non-major governmental fund) School Lunch Fund
Fund Balance at June 30, 2016, as previously reported	$ 4,033,592	$ 16,476
Correction of errors	(360,945)	(10,749)
Fund Balance at June 30, 2016, as restated	$ 3,672,647	$ 5,727

Governmental Activities Opinion Unit

Net position as of July 1, 2016 has been restated to reflect correction of errors. As of June 30, 2016 the District's financial statements included the following errors that resulted in a net decrease of net position at July 1, 2016 of $371,694. Restatements are as follows:

	Governmental Activities
Net Position at June 30, 2016, as previously reported	$ 15,552,888
Correction of errors	(371,694)
Net Position at June 30, 2016, as restated	$ 15,181,194

5. CASH AND CASH EQUIVALENTS

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

The District's aggregate bank balances (disclosed in the financial statements), included balances covered by depository insurance at year-end and collateralized as follows:

Fund	Bank Balance	Carrying Amount
Cash and cash equivalents, including fiduciary funds	$ 5,426,550	$ 4,637,290
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	$ 5,138,466	
Covered by FDIC insurance	750,000	
Total	$ 5,888,466	

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

Property loss reserve	$ 350,000
Retirement contributions reserve	727,424
Employee benefit and accrued liability reserve	497,582
Unemployment insurance reserve	178,349
Repair reserve	583,526
Liability reserve	501,380
Capital projects	61,680
Debt service*	31,663
Total restricted cash - governmental funds	2,931,604
Scholarships and extraclassroom - fiduciary funds	367,062
Total restricted cash	$ 3,298,666

*Restricted cash and cash equivalents of $31,663 in the Debt service fund represents money held for future debt service. Also a net amount Due from other funds of $1,019,096 is restricted for payment of future debt service.

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 156,400	$ -	$ -	$ 156,400
Construction in process	11,664,352	769,323	12,411,707	21,968
Total nondepreciable cost	11,820,752	769,323	12,411,707	178,368
Capital assets that are depreciated:				
Site improvements	1,221,856	-	-	1,221,856
Buildings and improvements	28,105,534	12,411,707	-	40,517,241
Furniture, equipment and vehicles	3,682,095	234,734	29,766	3,887,063
Total depreciable assets	33,009,485	12,646,441	29,766	45,626,160
Less accumulated depreciation:				
Site improvements	1,204,280	17,576	-	1,221,856
Buildings and improvements	11,024,163	536,681	-	11,560,844
Furniture, equipment and vehicles	2,600,107	256,850	29,534	2,827,423
Total accumulated depreciation	14,828,550	811,107	29,534	15,610,123
Total depreciable cost, net	18,180,935	11,835,334	232	30,016,037
Total capital assets, net	$30,001,687	$12,604,657	$12,411,939	$ 30,194,405

Depreciation expense for the year ended June 30, 2017, was allocated to specific functions as follows:

General support	$ 564,291
Instruction	26,749
School lunch	4,818
Pupil transportation	215,249
Total depreciation	$ 811,107

7. PARTICIPATION IN BOCES

During the year, the District was billed $2,560,558 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $921,464. Financial statements for the BOCES' are available from the BOCES' administrative office at OCM BOCES, 110 Elwood Davis Road, Liverpool, NY 13088.

8. SHORT-TERM DEBT

The District has the following short-term debt outstanding at June 30, 2017:

	Issuance Date	Due	Rate	Balance at 6/30/2016	Issued	Redeemed	Balance at 6/30/2017
BAN	7/23/2015	7/22/2016	1.50%	$ 12,477,222	$ -	$ 12,477,222	$ -
RAN	6/22/2017	6/22/2018	2.25%		4,000,000		4,000,000
RAN	6/23/2016	6/23/2017	2.00%	5,000,000	-	5,000,000	-
				$ 17,477,222	$ 4,000,000	$ 17,477,222	$ 4,000,000

Interest cost for short-term debt for the year ended June 30, 2017 was $439,379.
The revenue anticipation note was issued for the purpose of cash flow needs in anticipation of the receipt of revenues.

9. LONG-TERM DEBT

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

	Beginning Balance	Additions	Deletions		Ending Balance	Due Within One Year
Government activities:						
Serial Bonds	$ 6,490,000	$ 8,651,000	$ 1,175,000		$ 13,966,000	$ 1,541,000
Premium on Serial Bonds	253,923	1,431,292	30,436		1,654,779	-
Net pension liability - ERS	1,147,968	-	449,183		698,785	-
Net pension liability - TRS	-	568,959	-		568,959	-
Compensated absences	509,374	30,538	-	{a}	539,912	-
Other postemployment benefits	7,645,473	1,513,347	1,077,999		8,080,821	-
Total other liabilities	$ 16,046,738	$ 12,195,136	$ 2,732,618		$ 25,509,256	$ 1,541,000

{a} Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

Interest on all debt for the year was composed of:

Interest paid on long-term debt	$ 215,458
Interest paid on short-term debt	439,379
Less: Amortization of debt premiums	(30,436)
Plus: Amortization of deferred outflows	76,941
Less: Interest accrued in the prior year	(29,735)
Plus: Interest accrued in the current year	28,780
Total interest expense	$ 700,387

9. LONG-TERM DEBT (Continued)

Issue dates, maturities, and interest rates on outstanding debt are as follows:

Bond Issue	Issued	Maturity	Interest Rate	6/30/2017 Balance
2011 SB-"Series A" Construction	2011	2025	3.00-5.00%	$ 2,480,000
2013 Serial Bonds	2012	2018	.65-2.30%	20,000
2014 Serial Bonds	2013	2019	1.50-2.00%	90,000
2015 Serial Bonds	2014	2020	1.80-1.85%	100,000
Refunding of 2005 Serial Bonds	2015	2025	2.00-4.50%	2,375,000
2016 Serial Bonds Buses	2016	2021	2.25-2.50%	226,000
2016 Serial Bonds Buses	2016	2021	1.50-1.875%	250,000
2017 DASNY	2016	2031	2.00-5.00%	8,425,000
Total bond issue				$ 13,966,000

The following is a summary of the maturity of long-term indebtedness as of June 30, 2017:

	Principal	Interest	Total
2018	$ 1,541,000	$ 710,831	$ 2,251,831
2019	1,720,000	529,949	2,249,949
2020	1,250,000	484,130	1,734,130
2021	1,015,000	443,594	1,458,594
2022	995,000	404,075	1,399,075
2023-2027	4,410,000	1,348,369	5,758,369
2028-2032	3,035,000	388,500	3,423,500
Totals	$ 13,966,000	$ 4,309,448	$ 18,275,448

10. INTERFUND BALANCES AND ACTIVITY

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General	$ 4,724,351	$ 4,871,089	$ 2,411,503	$ 126,010
Special Aid	13,280	395,477	15,357	-
Debt Service	1,047,450	28,354	-	28,354
Capital Projects	-	746,582	-	2,383,149
Private Purpose Trust	2,054	700	-	-
Trust and Agency	700	104,726	-	-
School Lunch	494,899	135,806	110,653	-
Total	$ 6,282,734	$ 6,282,734	$ 2,537,513	$ 2,537,513

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The 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.

11. DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted to use by the donor for the purposes of student scholarships. These funds are accounted for in the Fiduciary Funds in a Private Purpose Trust.

12. PENSION PLANS

New York State Employee Retirement System (NYERS)

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

The System is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3.0% percent 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% percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS	
2017	$	309,500
2016	$	347,763
2015	$	385,212

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

At June 30, 2017, the District reported a net pension liability of $698,785 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the District's proportion was .0074369% percent, which was an increase of .002846% from its proportion at share measured at June 30, 2016.

12. PENSION PLANS (Continued)

New York State Employee Retirement System (NYERS) (Continued)

For the year ended June 30, 2017, the District recognized pension expense of $415,351. At June 30, 2017, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,511	$ 106,114
Changes of assumptions	238,730	-
Net difference between projected and actual earnings on pension plan investments	139,576	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	56,473	7,770
Contributions subsequent to the measurement date	85,626	-
Total	$ 537,916	$ 113,884

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2018	$ 147,337
2019	147,337
2020	132,089
2021	(88,357)
	$ 338,406

The District recognized $85,626 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2018.

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

12. PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 % indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36	4.55
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.8
Absolute return strategies	2	4
Opportunistic Portfolio	3	5.89
Real Asset	3	5.54
Bonds, Cash & Mortgages	17	1.31
Cash	1	-0.25
Inflation Indexed Bonds	4	1.5

Discount Rate

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

12. PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Proportionate Share of Net Pension liability (asset)	$ 2,231,780	$ 698,785	$ (597,360)

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

Total pension liability	$ 177,400,586
Plan net position	(168,004,363)
Net pension liability (asset)	$ 9,396,223
ERS net position as a percentage of total pension liability	94.70%

New York State Teachers' Retirement System (NYSTRS)

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. NYSTRS offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

12. PENSION PLANS (Continued)

New York State Teachers' Retirement System (NYSTRS)
Contributions (Continued)

The District is required to contribute at an actuarially determined rate. The District contributions made to NYSTRS were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2017	$ 1,072,975
2016	$ 1,086,957
2015	$ 1,409,358

At June 30, 2017, the District reported net pension liability of $568,959 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017 the District's proportionate share was 0.053122%, which was a decrease from the .0004% proportionate share measured at June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense (income) of $961,542. At June 30, 2017 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 184,830
Changes of assumptions	3,241,153	-
Net difference between projected and actual earnings on pension plan investments	1,279,319	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	93,828	6,028
Contributions subsequent to the measurement date	1,072,692	-
Total	$ 5,686,992	$ 190,858

The District recognized $1,072,692 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

12. PENSION PLANS (Continued)

New York State Teachers' Retirement System (NYSTRS)

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Plan's Year Ended June 30:		
2018	$	408,079
2019		408,079
2020		1,401,634
2021		1,092,510
2022		507,746
Thereafter		605,394
	$	4,423,442

Actuarial Assumptions

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.7%
15	3.5%
25	2.4%
35	1.9%

Projected COLAs	1.5% compounded annually
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.

Annuitant morality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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 expect 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.

12. PENSION PLANS (Continued)

New York State Teachers' Retirement System (NYSTRS) (Continued)

Actuarial Assumptions (Continued)
Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	37	6.1
International Equity	18	7.3
Real Estate	10	5.4
Alternative Investments	7	9.5
Domestic Fixed Income Securities	17	1
Global Fixed Income Securities	2	0.8
Short-term Fixed Income	1	0.1
Mortgages	8	3.1

Discount Rate
The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 8.0%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Proportionate Share of Net Pension liability (asset)	$ 7,423,364	$ 568,959	$ (5,180,156)

12. PENSION PLANS (Continued)

New York State Teachers' Retirement System (NYSTRS) (Continued)

Pension Plan Fiduciary Net Position (000's)

The components of the current year net pension liability of the employers as of June 30, 2016, were as follows:

Total pension liability	$ 108,577,184,039
Plan net position	107,506,142,099
Net pension liability (asset)	$ 1,071,041,940
NYSTRS net position as a percentage of total pension liability	99.01%

13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District administers the Other Postemployment Benefits Plan (the Plan) as a single-employer defined benefit other postemployment benefit plan. The Plan currently has 190 active and 104 retired participants The Plan provides for continuation of medical insurance benefit for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. Employees are eligible for retirement when they reach the age of 55 years and have 10 years of service with the District. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

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

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

Annual required contribution	$ 1,417,431
Interest on net OPEB obligation	382,274
Annual required contribution adjustment	(286,358)
Annual OPEB cost	1,513,347
Contributions made	(1,077,999)
Increase in net OPEB obligation	435,348
Net OPEB obligation - beginning of year	7,645,473
Net OPEB obligation - end of year	$ 8,080,821

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

Fiscal Year End	Annual OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 1,513,347	$ 1,077,999	71.2%	$ 8,080,821
6/30/2016	$ 1,486,044	$ 743,932	50.1%	$ 7,645,473
6/30/2015	$ 1,421,650	$ 774,339	54.5%	$ 6,903,361

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the 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.

13. OTHER POSTEMPLOYMENT BENEFITS (Continued)

In the July 1, 2016 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate	5.0%
Medical care cost trend rate	5.6% Initial; 3.94% Final
Unfunded actuarial accrued liability:	
Amortization period	23 years
Amortization method	Level dollar closed

As the plan is unfunded, the assumed discount rate considers that the District's investment assets are low risk in nature, such as money market funds or certificates of deposit.

14. RISK MANAGEMENT

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

Health Insurance
The District participates in the Onondaga-Cortland-Madison Health Consortium consisting of 24 other governmental entities for their health insurance coverage, as well as, in the Onondaga-Cortland-Madison Workers' Compensation Consortium consisting of Onondaga-Cortland-Madison BOCES and various other school districts for its workers' compensation insurance coverage. The School District participates in a non-risk retained public entity risk pool for its employee health insurance coverage. A member of the Health Consortium may withdraw from the plan by submitting a notice of withdrawal by May 1 preceding the school year of withdrawal. Upon withdrawal, the Board will determine amounts owed by the member or amounts that may be due to the withdrawing member. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. Premiums paid to the health consortium totaled $2,405,410 for the year ended June 30, 2017.

Worker’s Compensation
The School District participates in a Workers' Compensation Consortium for its employees. Benefits are provided through self-funding by the individual participants through the purchase of insurance and through the purchase of "stop-loss" coverage. A member may withdraw from the Plan by submitting a notice of withdrawal by May 1 preceding the school year of withdrawal. Upon withdrawal, the Board will determine amounts owed by the member or amounts that may be due to the withdrawing member. The District funds its portion of the program through the General Fund and premiums due to the Workers' Compensation Consortium totaled $120,779 for the year ended June 30, 2017.

Unemployment
District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established an unemployment reserve to pay these claims. The claim and judgment expenditures of this program for the 2016-2017 fiscal year totaled $85,000. The balance of the reserve at June 30, 2017 is $178,349 and is recorded in the General fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2017, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

15. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets
The District administration prepares a proposed budget for approval by the Board of Education for the General Fund, which is then approved by the voters of the District.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the BOE as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the BOE approves them because of a need that exists which was not determined at the time the budget was adopted.

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

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects. Portions of fund balances are restricted or assigned and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

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

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

Excess of Expenditures Over Appropriations
For the year ended June 30, 2017, expenditures exceeded appropriations in the general fund by $293,601. These overexpenditures were funded by a transfer from the capital projects fund of $2,383,149 related to the debt service principal payment of the bond anticipation note during the year.

16. CONTINGENCIES AND COMMITMENTS

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

17. UPCOMING ACCOUNTING PRONOUNCEMENTS

Implemented in the Current Year
In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to assist financial statement users in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The District implemented the provisions of this statement for the year ending June 30, 2017, with no material effect on the financial statements.

Not Yet Implemented
In June 2015, the GASB issued Statement *No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Statement No. 75 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. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In March 2016, GASB issued Statement No. 82, Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 6, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments for Certain Provisions of GASB Statements 67 and 68. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a sate other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

In June 2017, GASB issued Statement No. 87, Leases. The Statement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The District has not assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

LAFAYETTE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
Real property taxes	$ 5,736,320	$ 5,736,320	$ 4,862,126	$ -	$ (874,194)
Other tax items	51,000	51,000	929,732	-	878,732
Charges for services	1,819,000	1,819,000	2,446,732	-	627,732
Use of money and property	2,500	2,500	28,081	-	25,581
Sale of property and compensation for loss	7,000	7,000	25,475	-	18,475
Miscellaneous	380,930	380,930	321,950	-	(58,980)
State sources	15,178,109	15,178,109	13,486,553	-	(1,691,556)
Federal sources	30,000	30,000	58,992	-	28,992
Total revenue	23,204,859	23,204,859	22,159,641	-	(1,045,218)
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	25,323	50,833	43,373	124	7,336
Central administration	155,283	132,923	83,834	-	49,089
Finance	349,425	355,580	316,607	-	38,973
Staff	107,502	174,379	155,662	-	18,717
Central services	1,991,344	2,005,310	1,624,414	24,890	356,006
Special items	168,172	153,665	107,532	-	46,133
Total general support	2,797,049	2,872,690	2,331,422	25,014	516,254
INSTRUCTION:					
Instruction, administration, and improvement	688,578	702,438	666,959	1,138	34,341
Teaching - regular school	6,792,526	6,676,967	6,272,548	21,989	382,430
Programs for special needs children	2,446,496	2,519,233	2,268,977	2,407	247,849
Teaching - special school	56,995	66,491	55,000	-	11,491
Instructional media	1,033,067	1,032,872	921,791	12,723	98,358
Pupil services	1,072,177	1,096,180	1,050,878	5,797	39,505
Total instruction	12,089,839	12,094,181	11,236,153	44,054	813,974
Pupil transportation	974,632	979,518	827,950	13,339	138,229
Community services	2,081	2,581	2,200	-	381
Employee benefits	5,602,930	5,483,691	4,863,899	-	619,792
Debt service -					
Principal	1,584,073	1,594,073	3,977,222	-	(2,383,149)
Interest	644,255	655,755	654,837	-	918
Total expenditures	23,694,859	23,682,489	23,893,683	82,407	(293,601)
Excess (deficiency) of revenue over expenditures	(490,000)	(477,630)	(1,734,042)	(82,407)	(1,338,819)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	2,411,503	-	2,411,503
Transfers out	(60,000)	(127,774)	(126,010)	-	1,764
Total other financing sources	(60,000)	(127,774)	2,285,493	-	2,413,267
NET CHANGE IN FUND BALANCES	(550,000)	(605,404)	551,451	(82,407)	1,074,448
FUND BALANCE - beginning of year, as restated			3,672,647		
FUND BALANCE - end of year			$ 4,224,098		

Notes to Required Supplementary Information - Schedule of Revenue, Expenditure, and Changes in Fund Balance - Budget and Actual - General Fund

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget. The Budget is 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.

LAFAYETTE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2016	-	$ 20,512,530	$ 20,512,530	-	$ 9,773,408	209.88%
July 1, 2015	-	18,563,029	18,563,029	-	10,020,005	185.26%
July 1, 2014	-	17,757,704	17,757,704	-	8,917,973	199.12%

LAFAYETTE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.01%	0.72%	0.01%	0.01%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.					
Proportionate share of the net pension liability (asset)	699	1,148	258	345						
Covered-employee payroll	2,056	2,503	1,971	1,825						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.00%	45.86%	13.09%	18.90%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.70%	97.90%	97.20%						

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of the net pension liability (asset)	0.05%	0.05%	0.06%	0.05%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.					
Proportionate share of the net pension liability (asset)	5,690	5,559	6,247	360						
Covered-employee payroll	8,697	8,663	8,040	8,284						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.42%	64.17%	77.70%	4.35%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	110.46%	111.48%	100.70%						

LAFAYETTE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	415	348	385	335	395	362	315	224	135	142
Contributions in relation to the contractually required contribution	415	348	385	335	395	362	315	224	135	142
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	2,056	$ 2,503	$ 1,971	$ 1,825	$ 1,898	$ 1,985	$ 1,946	$ 1,832	$ 1,760	$ 1,786
Contributions as a percentage of covered-employee payroll	20.18%	13.90%	19.53%	18.36%	20.81%	18.24%	16.19%	12.23%	7.67%	7.95%

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	1087	1149	1409	1346	949	896	758	540	646	710
Contributions in relation to the contractually required contribution	1087	1149	1409	1346	949	896	758	540	646	710
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	8,697	$ 8,663	$ 8,040	$ 8,284	$ 8,019	$ 8,065	$ 8,790	$ 8,729	$ 8,460	$ 8,134
Contributions as a percentage of covered-employee payroll	12.50%	13.26%	17.52%	16.25%	11.83%	11.11%	8.62%	6.19%	7.64%	7.73%

SUPPLEMENTARY INFORMATION

LAFAYETTE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Aid	Debt Service	Capital Projects	School Lunch	Total Non-Major Governmental Funds
ASSETS					
Cash and cash equivalents	$ 11,055	$ -	$ 568,454	$ -	$ 579,509
Cash and cash equivalents - restricted	-	31,663	61,680	-	93,343
Due from other funds	13,280	1,047,450	-	494,899	1,555,629
Due from Federal and State governments	396,413	-	178,128	16,798	591,339
Due from other governments	-	-	-	107	107
Prepaid expenditures	-	-	-	12,692	12,692
Inventory	-	-	-	10,337	10,337
TOTAL ASSETS	420,748	1,079,113	808,262	534,833	2,842,956
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Managed cash overdraft	-	-	-	374,551	374,551
Accounts payable	16,777	-	-	-	16,777
Accrued liabilities	-	-	-	4,119	4,119
Unearned revenue	8,494	-	-	6,996	15,490
Due to other funds	395,477	28,354	746,582	135,806	1,306,219
Due to other governments	-	-	-	-	-
Due to Teachers' Retirement System	-	-	-	-	-
Due to Employees' Retirement System	-	-	-	6,964	6,964
Bond anticipation note payable	-	-	-	-	-
TOTAL LIABILITIES	420,748	28,354	746,582	528,436	1,724,120
FUND BALANCES:					
Nonspendable -					
Inventory	-	-	-	23,029	23,029
Restricted for -					
Capital projects	-	-	61,680	-	61,680
Debt service	-	1,050,759	-	-	1,050,759
Assigned to -					
Appropriated for subsequent years' expenditures	-	-	-	-	-
Unassigned	-	-	-	(16,632)	(16,632)
TOTAL FUND BALANCE	-	1,050,759	61,680	6,397	1,118,836
TOTAL LIABILITIES AND FUND BALANCES	$ 420,748	$ 1,079,113	$ 808,262	$ 534,833	$ 2,842,956

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Aid	Debt Service	Capital Projects	School Lunch	Total Non-Major Governmental Funds
REVENUE:					
Use of money and property	$ -	$ 105,187	$ -	$ -	$ 105,187
Sale of property and compensation for loss	-	-	-	5,666	5,666
Miscellaneous	69,160	-	-	57,968	127,128
State sources	217,131	-	393,614	33,780	644,525
Federal sources	373,459	-	-	289,265	662,724
Sales	-	-	-	123,521	123,521
Total revenue	659,750	105,187	393,614	510,200	1,668,751
EXPENDITURES:					
Instruction	669,972	-	393,614	-	1,063,586
Pupil transportation	8,774	-	-	-	8,774
Employee benefits	-	-	-	109,519	109,519
Cost of sales	-	-	-	510,664	510,664
Capital outlays	-	-	993,111	-	993,111
Debt service -					
Debt issuance costs	-	-	181,292	-	181,292
Total expenditures	678,746	-	1,568,017	620,183	2,866,946
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(18,996)	105,187	(1,174,403)	(109,983)	(1,198,195)
OTHER FINANCING SOURCES AND (USES):					
BAN's redeemed from appropriations	-	-	2,802,222	-	2,802,222
Proceeds from issuance of debt	-	-	8,651,000	-	8,651,000
Premium on debt issuance	-	-	1,431,292	-	1,431,292
Transfers in	15,357	-	-	110,653	126,010
Transfers (out)	-	(28,354)	(2,383,149)	-	(2,411,503)
Total other financing sources (uses)	15,357	(28,354)	10,501,365	110,653	10,599,021
CHANGE IN FUND BALANCE	(3,639)	76,833	9,326,962	670	9,400,826
FUND BALANCES - beginning of year, as previously reported	3,639	973,926	(9,265,282)	16,476	(8,271,241)
PRIOR PERIOD ADJUSTMENT (Note 4)	-	-	-	(10,749)	(10,749)
FUND BALANCE - beginning of year, as restated	3,639	973,926	(9,265,282)	5,727	(8,281,990)
FUND BALANCES - end of year	$ -	$ 1,050,759	$ 61,680	$ 6,397	$ 1,118,836

The accompanying notes are an integral part of these statements.

LAFAYETTE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget		$ 18,162,146
Add: Prior year's encumbrances		55,404
Add: Onondaga Nation School Budget		5,592,713
Original and final budget		$ 23,810,263

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	$ 18,735,315	
Maximum allowed (4% of 2017-18 budget)		$ 749,413
General Fund Balance Subject to Section 1318 of Real Property Tax Law :		
Unrestricted fund balance		
Committed fund balance	-	
Assigned fund balance	636,423	
Unassigned fund balance	749,414	
Total unrestricted fund balance	1,385,837	
Less:		
Appropriated fund balance	550,000	
Encumbrances included in assigned fund balance	86,423	
Total adjustments	$ 636,423	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 749,414
Actual percentage		4.00%

LAFAYETTE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Unexpended Balance	Proceeds of Obligations	Federal and State Sources	Local Sources	Total Financing	Residual Equity Transfer	Fund balance as of 6/30/2017
2014 District Renovations	$ 12,477,222	$ 12,477,222	$ 11,664,351	$ 747,357	$ 12,411,708	$ 65,514	$ 10,094,073	$ 2,383,149	$ -	$ 12,477,222	$ -	$ 65,514
2012-2013 Buses	96,000	90,139	90,139	-	90,139	-	96,000	-	-	96,000	-	5,861
2014 Buses	220,000	216,683	216,683	-	216,683	-	220,000	-	-	220,000	-	3,317
2015 Buses	160,000	153,523	153,523	-	153,523	-	160,000	-	-	160,000	-	6,477
2016 Buses	305,000	304,735	304,735	-	304,735	-	305,000	-	-	305,000	-	265
2017 Buses	226,000	226,000	-	223,788	223,788	2,212	226,000	-	-	226,000	-	2,212
Smart Schools Bond Act	556,670	556,670	-	393,614	393,614	163,056	-	393,614	-	393,614	-	-
2017 District Renovations	5,432,950	5,432,950	-	21,966	21,966	5,410,984	-	-	-	-	-	(21,966)
	19,473,842	19,457,922	12,429,431	1,386,725	13,816,156	5,641,766	11,101,073	2,776,763	-	13,877,836	-	61,680

LAFAYETTE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2017

Capital assets, net	$ 30,194,405
Deduct:	
Premiums on bonds payable	(1,654,779)
Bonds payable	(13,966,000)
Net investment in capital assets	$ 14,573,626

Bonadio & Co., LLP
Certified Public Accountants

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*

October 3, 2017

To the Board of Education of the
Lafayette Central School District

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 LaFayette Central School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses as finding 2017-001 to be a material weakness.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and responses that we consider to be a material weakness.

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(Continued)

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* (Continued)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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.*

District's Response to Findings
The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Bonadio & Co., LLP

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017

Reference Number: 2017-001

Criteria:

The District is required to report all transactions within the District's accounting system in the proper fund, in the proper period, and in accordance with generally accepted accounting principles.

Condition/Cause:

The District does not regularly reconcile all of the accounts included in the trust and agency fund. Payments made for the District's share of employee benefit insurance costs were incorrectly allocated to the trust and agency fund for amounts related to retiree's portions of insurance costs. The individuals that prepared the monthly payment including the allocation of the insurance costs to the funds did not update the cash disbursement to reflect actual rates charged to the retiree's for insurance costs.

Effect:

The District's accounting records did not accurately reflect the fund balance of the general fund or the school lunch fund. The District recorded a prior period adjustment reducing fund balance in its general fund and school lunch fund, and a current year audit adjustment increasing employee benefits expense in its general fund and school lunch fund.

Recommendation:

We recommend that the District ensure that regularly, timely reconciliations of all the accounts included in the trust and agency fund occur, including appropriate review and approval of the reconciliations.

Management's Response:

The business office appreciates the opportunity to work with Bonadio & Co., LLP in their role as external auditor. We view their role as assisting us in improving our operations. As the reader examines our response please note that the corrections necessary to address the findings of the external audit have begun and can be addressed without making large changes in current processes.

It was noted that the District needs to reconcile its monthly payment amount out of the trust and agency fund for health insurance with amounts paid into the fund for retirees' portion of health insurance benefits. This process will be done on a monthly basis by the District Treasurer and will be reviewed and signed off on by the Assistant Superintendent for Business.

Again, we appreciate the efforts of our external auditors for their recommendation. The District will continue to take steps to improve its processes and policies and will continue to review procedures on a regular basis.