

DUNDEE CENTRAL SCHOOL DISTRICT

**Financial Statements
For the Year Ended June 30, 2018
Together with
Independent Auditor's Report**

DUNDEE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 15, 2018

To the Board of Education of
Dundee 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 Dundee Central School District (the District) as of and for the year ended June 30, 2018, 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 the aggregate remaining fund information of the District as of June 30, 2018, 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Correction of an Error

As discussed in Note 3 to the financial statements, the prior year financial statements for the governmental activities, general fund, and school lunch fund were not properly presented. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of contributions – pension plans, and proportionate share of the net pension liability (asset) 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.

Report on Supplementary 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 supplemental information as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental information as required by the New York State Education Department has 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 it.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, 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.

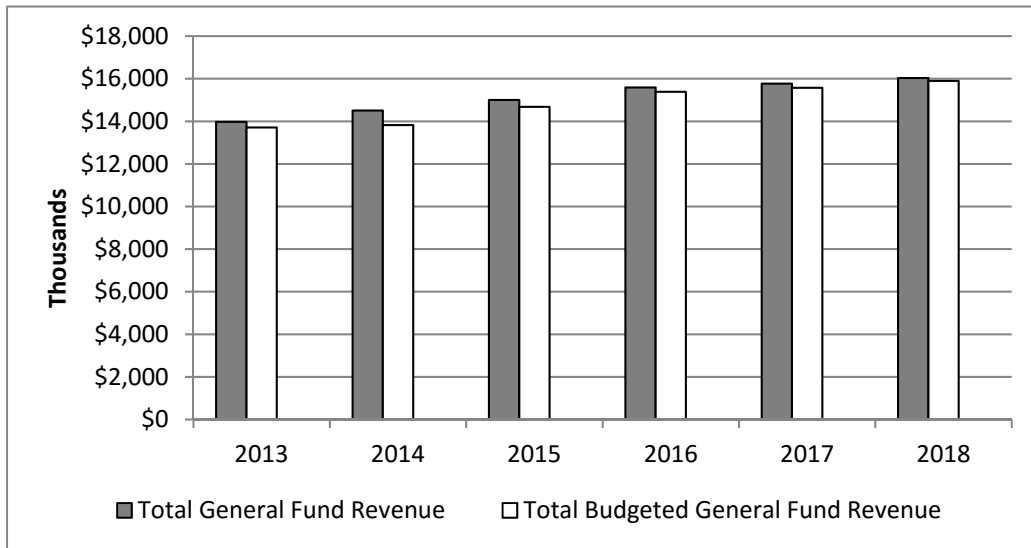
**DUNDEE CENTRAL SCHOOL DISTRICT, DUNDEE NY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

As management of the Dundee Central School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

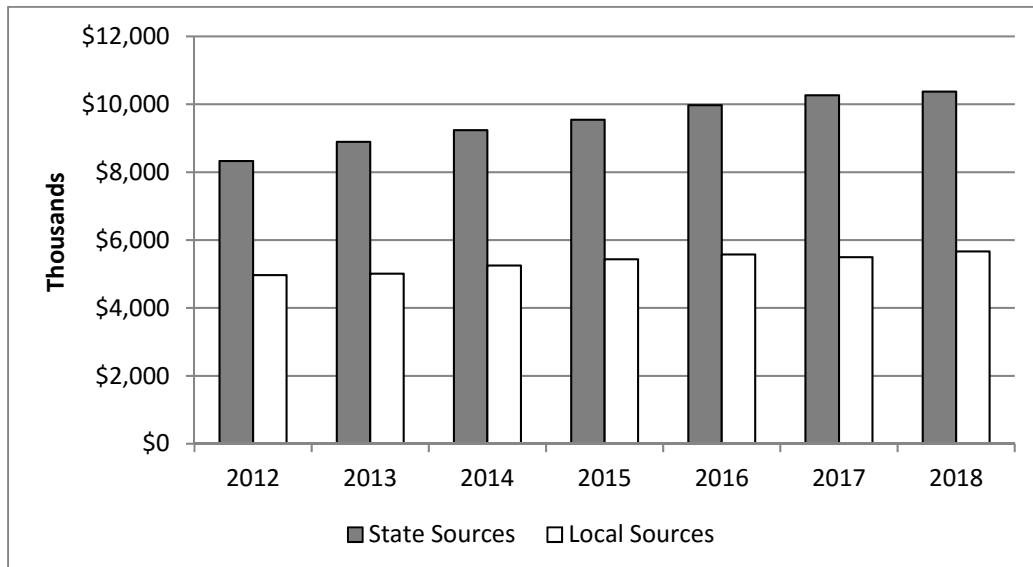
Resource Sources

- From 2013 to 2018, total general fund revenue increased by 20.1 %. This increase is primarily due to an increase in state aid and facility use fees.



Actual vs. Budgeted Revenue

- From 2013-2018 revenue from local sources increased 13.1%, primarily due to facility use fees as well as a sale of real property, and an increase in prior year refund revenues while revenue from state sources increased by 16.7 %, due to increased foundation and excess cost aids.

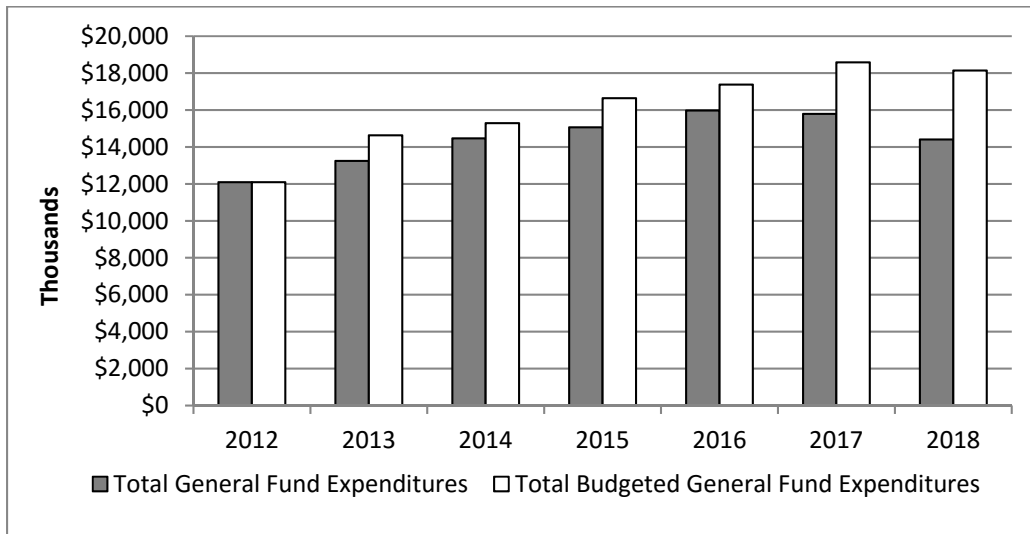


Revenue Sources

**DUNDEE CENTRAL SCHOOL DISTRICT, DUNDEE NY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

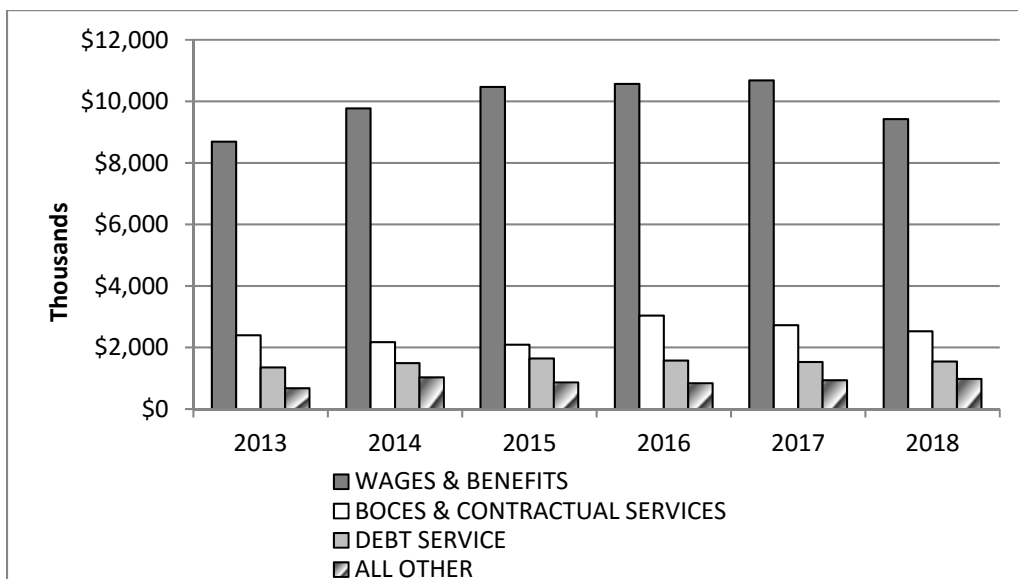
Resource Uses

- A continued major focus of the District during the year was continued implementation of personalized learning, an initiative started during the 2015-16 school year.
- From 2013-2018 general fund expenditures increased 19.1% primarily due to contractual and cost of living increases. Gaps in budgeted and actual expenditures are due to fluctuations in grant funding that cover local expenditures, special education costs, fringe benefit costs, and climate conditions.



Actual vs. Budgeted Expenditures

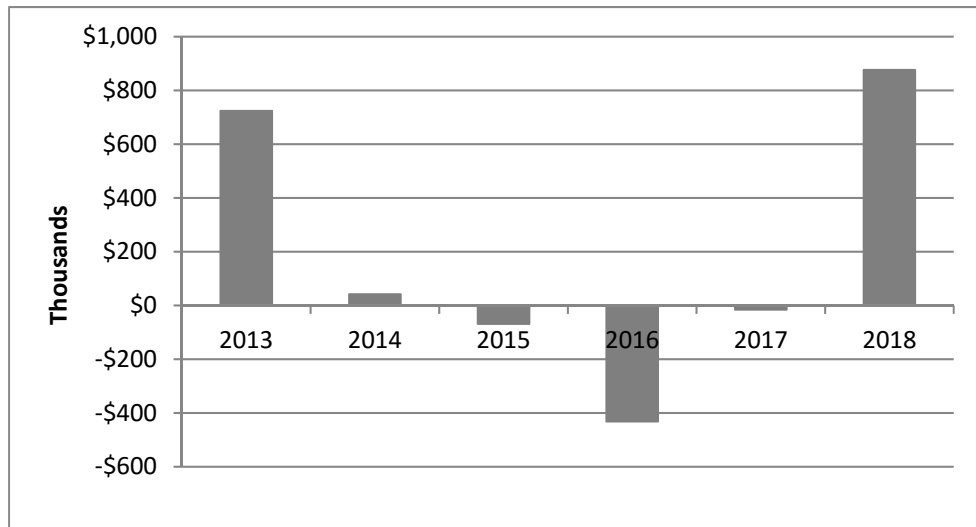
- Wages and benefits increased 8.5% as a result of contractual increases and medical premium increases. BOCES services and contractual costs increased 5.3% primarily due to BOCES cost increases. Debt service costs increased 14.1% as a result of the debt service requirements related to the District’s capital improvement projects. The District continues to look for cost saving strategies throughout all areas to enhance successful student achievement initiatives.



Detailed Objects of Expenditures by Year

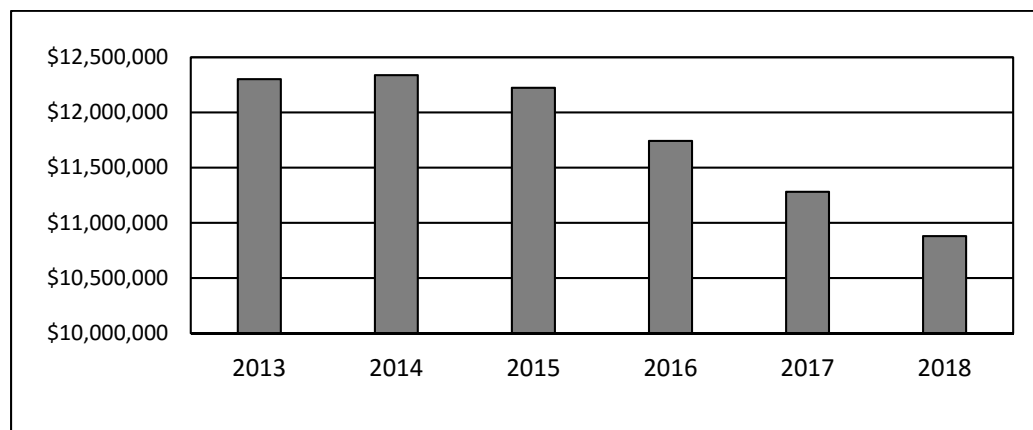
**DUNDEE CENTRAL SCHOOL DISTRICT, DUNDEE NY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

- The District has generated general fund budget surpluses during 2013-2014, and in 2018 where revenues and other financing sources have exceeded expenditures and other financing uses, allowing creation and funding of reserves to mitigate the impact of certain eligible expenses on the District’s local tax levy. During 2015 the District incurred deficits from its operations and in 2016 the District applied a significant amount of fund balance reserves to balance the budget. During 2017 the District recognized cost savings from planned architect fees, utility costs, special education costs and staffing and benefit costs that were subsidized by grants that were received and in 2018 the District recognized savings in the area of utility costs, special education costs, and staffing and benefit costs due to staffing changes and grants received that subsidized wage and benefit costs.



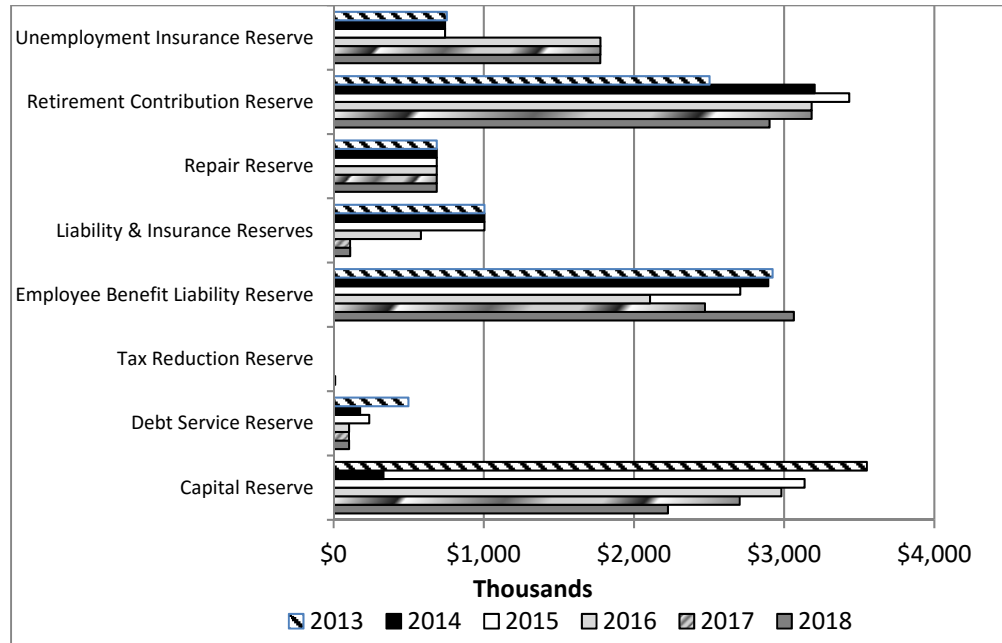
General Fund Operating Surplus (Deficit)

- The District maintains many reserve funds that have been established, funded and utilized for specific purposes as specified in statute. The District has increasingly relied on these reserve funds and continuously plans to appropriate amounts in accordance with regulations, to mitigate budget cuts and tax increases. The District plans to seek voter authorization for the establishment of a Capital Reserve Fund in fiscal year 2018-2019 with the surplus generated from 2017-2018 operations.



General Fund Reserved Fund Balance

**DUNDEE CENTRAL SCHOOL DISTRICT, DUNDEE NY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**



Restricted Reserve Balances-June 30,

- The District’s long-range plan for facilities continued during 2017-2018, with a successful voter referendum for a capital improvement project.
- The District’s capital assets, net of accumulated depreciation totaled \$20.7 million at June 30, a net decrease of \$764 thousand from 2017. The district added \$586 thousand worth of capital assets during 2017-18, principally consisting of buses and technology equipment.
- The District established a reserve for tax reduction during 2017-18 resulting from the sale of real property.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) districtwide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Districtwide financial statements. The districtwide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

**DUNDEE CENTRAL SCHOOL DISTRICT, DUNDEE NY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

The districtwide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform system and chart of accounts for New York State school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into the following categories: governmental and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education and welfare, and funds that are strictly custodial in nature where the District holds the assets as agent for student groups and for payroll or employee withholding. All funds not accounted for in a fiduciary fund are accounted for in the governmental funds.

Notes to the financial statements. The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

DISTRICTWIDE FINANCIAL ANALYSIS

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

NET POSITION FOR THE PERIOD ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
Current Assets	\$14,798,338	\$ 14,056,880
Noncurrent Assets	20,927,089	21,430,277
Deferred Outflows of Resources	4,148,633	4,121,698
Total Assets & Deferred Outflows	\$39,874,060	\$ 39,608,855
Current Liabilities	747,299	989,449
Noncurrent Liabilities	13,566,146	15,597,257
Deferred Inflows of Resources	1,496,754	267,000
Total Liabilities & Deferred Inflows	\$15,810,199	\$16,853,706
Net position:		
Investment in Capital Assets (net of related debt)	10,600,794	10,155,277
Restricted	10,879,235	11,087,135
Unrestricted	2,583,832	1,512,737
Total Net Position	\$24,063,861	\$ 22,755,149

The District’s change in net position was \$1,255 thousand, with assets increasing from cash and receivables. Liabilities decreased due to a change in the district’s Teacher Retirement System liability, debt reduction due to debt payments and reduction in the current amount of compensated absences calculated and accrued.

**DUNDEE CENTRAL SCHOOL DISTRICT, DUNDEE NY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

Below is a summary of the net results of activities that resulted in the increase in net position.

SUMMARY OF CHANGE IN NET POSITION THE PERIOD ENDED JUNE 30,

Revenues	2018	2017
State and Federal Aid	\$10,378,744	\$ 10,275,869
Property Taxes	5,357,428	5,238,564
Operating Grants & Contributions	1,792,152	1,873,731
Miscellaneous	221,064	163,921
Charges for Services	191,796	243,317
Investment Earnings	25,850	11,369
Capital Grants & Contributions	18,065	379,377
Compensation for Loss	22,920	15,118
	\$18,008,019	\$ 18,201,266
Expenses		
Instruction	\$12,956,011	\$ 13,378,427
General Support	1,989,442	2,171,776
Pupil Transportation	968,997	1,057,858
School Lunch	499,696	524,700
Interest	332,754	387,842
Community Services	5,728	7,777
	\$16,752,628	\$ 17,528,380
Change in Net Position	1,255,391	672,886
Net Position, Beginning of Year (Original)	22,755,149	22,112,044
Prior Period Adjustment	53,321	(29,781)
Net Position, Beginning of Year (Restated)	22,808,470	22,082,263
Net Position, End of Year	\$24,063,861	\$ 22,755,149

The District's grants and contributions decreased due to loss of grant program entitlements. Its charges for services decreased due to fewer non-resident students attending the district from other public schools. Its capital grants and contributions decreased due to a reduction in the use of Smart School Bond Act funds in the current year.

Instructional expense decreased due to lower special education costs, general support was lower as a result of lower utility costs in 2018, pupil transportation decreased as a result of a change in the district's transportation policy, reducing the number of children transported and reducing the number of bus drivers.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- Although fund balances are only one indicator of a School District's financial health, it is a substantive indicator of the future capacity of School Districts to meet their fiscal and educational obligations, especially given the new restrictions on revenue from local sources (tax cap) and state aid (tied to personal income growth). The availability of reserve funds to lessen the local tax burden is tenuous, and the continued use of reserves in this manner will exhaust them.
- The District faces other challenges, such as declining student enrollment and from certain public policy decisions made by New York State, including but not limited to the property tax cap, pension benefit enhancements enacted in the 1990's, and special education mandates that exceed federal guidelines.

CONTACTING THE DISTRICT

Questions regarding this report should be directed to the School Business Administrator (607) 243-5533 Ext. 7703 or by mail at 55 Water Street, Dundee, New York 14837.

DUNDEE CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2018****ASSETS**

CURRENT ASSETS:

Cash and cash equivalents	\$ 2,204,826
Cash and cash equivalents - restricted	10,879,235
Accounts receivable	216,686
Due from fiduciary funds	236,887
Due from Federal and State governments	1,249,212
Inventory	11,492
Total current assets	<u>14,798,338</u>

NON-CURRENT ASSETS:

Net pension asset - TRS	261,295
Capital assets, net	<u>20,665,794</u>
Total non-current assets	<u>20,927,089</u>
Total assets	<u>35,725,427</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related-TRS	3,395,706
Pension related-ERS	<u>752,927</u>
Total deferred outflows of resources	<u>4,148,633</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	29,675
Accrued liabilities	42,072
Accrued interest	12,767
Unearned revenue	48,108
Due to other governments	1,655
Due to Teachers' Retirement System	539,208
Due to Employees' Retirement System	<u>73,814</u>
Total current liabilities	<u>747,299</u>

LONG-TERM LIABILITIES:

Due and payable within one year -	
Bonds payable	1,230,000
Compensated absences payable	<u>194,147</u>
Total long-term liabilities due and payable within one year	<u>1,424,147</u>

Due and payable after one year -

Net pension liability - ERS	233,287
Compensated absences	3,073,712
Bonds payable	<u>8,835,000</u>

Total long-term liabilities due and payable after one year 12,141,999

Total long-term liabilities 13,566,146

Total liabilities 14,313,445

DEFERRED INFLOWS OF RESOURCES

Pension related-TRS	756,270
Pension related-ERS	<u>740,484</u>
Total deferred inflows of resources	<u>1,496,754</u>

NET POSITION

Net investment in capital assets	10,600,794
Restricted	10,879,235
Unrestricted	<u>2,583,832</u>
Total net position	<u>\$ 24,063,861</u>

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS:					
General governmental support	\$ 1,989,442	\$ -	\$ -	\$ -	\$ (1,989,442)
Instruction	12,956,011	71,138	1,534,794	18,065	(11,332,014)
Pupil transportation	968,997	-	-	-	(968,997)
Home and community service	5,728	-	-	-	(5,728)
Interest	332,754	-	-	-	(332,754)
School lunch program	499,696	120,658	257,358	-	(121,680)
Total functions/programs	<u>\$ 16,752,628</u>	<u>\$ 191,796</u>	<u>\$ 1,792,152</u>	<u>\$ 18,065</u>	<u>(14,750,615)</u>
GENERAL REVENUE:					
Real property taxes					4,539,326
Nonproperty taxes					818,102
Use of money and property					25,850
Sale of property and compensation for loss					22,920
Miscellaneous					221,064
Medicaid reimbursement					2,794
State sources					<u>10,375,950</u>
Total general revenue					<u>16,006,006</u>
CHANGE IN NET POSITION					<u>1,255,391</u>
NET POSITION - beginning of year, as previously reported					22,755,149
PRIOR PERIOD ADJUSTMENT (NOTE 3)					<u>53,321</u>
NET POSITION - beginning of year, as restated					<u>22,808,470</u>
NET POSITION - end of year					<u>\$ 24,063,861</u>

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General	Special Aid	Capital Projects	School Lunch	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,752,245	\$ 179,749	\$ 253,554	\$ 19,278	\$ 2,204,826
Cash and cash equivalents - restricted	10,879,235	-	-	-	10,879,235
Accounts receivable	49,578	167,108	-	-	216,686
Due from other funds	1,783,135	-	71,322	14,329	1,868,786
Due from Federal and State governments	334,235	914,977	-	-	1,249,212
Inventory	-	-	-	11,492	11,492
Total assets	<u>\$ 14,798,428</u>	<u>\$ 1,261,834</u>	<u>\$ 324,876</u>	<u>\$ 45,099</u>	<u>\$ 16,430,237</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 29,675	\$ -	\$ -	\$ -	\$ 29,675
Accrued liabilities	40,784	-	-	1,288	42,072
Due to other funds	71,641	1,232,841	306,717	20,700	1,631,899
Due to other governments	-	1,408	-	247	1,655
Due to Teachers' Retirement System	539,208	-	-	-	539,208
Due to Employees' Retirement System	68,392	-	-	5,422	73,814
Unearned revenue	-	27,585	18,159	2,364	48,108
Compensated absences	194,147	-	-	-	194,147
Total liabilities	<u>943,847</u>	<u>1,261,834</u>	<u>324,876</u>	<u>30,021</u>	<u>2,560,578</u>
FUND BALANCES:					
Nonspendable -					
Inventory	-	-	-	11,492	11,492
Restricted for -					
Capital reserve	2,226,682	-	-	-	2,226,682
Debt service	102,556	-	-	-	102,556
Employee benefits	3,064,961	-	-	-	3,064,961
Retirement contributions	2,902,645	-	-	-	2,902,645
Unemployment insurance	1,775,612	-	-	-	1,775,612
Insurance	110,000	-	-	-	110,000
Repair	686,779	-	-	-	686,779
Tax reduction	10,000	-	-	-	10,000
Assigned to -					
Appropriated for subsequent years' expenditures	250,000	-	-	-	250,000
Other assigned purposes	97,109	-	-	3,586	100,695
Unassigned	<u>2,628,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,628,237</u>
Total fund balances	<u>13,854,581</u>	<u>-</u>	<u>-</u>	<u>15,078</u>	<u>13,869,659</u>
Total liabilities and fund balance	<u>\$ 14,798,428</u>	<u>\$ 1,261,834</u>	<u>\$ 324,876</u>	<u>\$ 45,099</u>	<u>\$ 16,430,237</u>

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - total governmental funds	\$ 13,869,659
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	20,665,794
Deferred outflows/inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the funds:	
Deferred outflows - ERS/TRS	4,148,633
Deferred inflows - ERS/TRS	(1,496,754)
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds:	
Net pension liability - ERS	(233,287)
Net pension asset -TRS	261,295
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(10,065,000)
Compensated absences	(3,073,712)
Accrued interest	<u>(12,767)</u>
Net position of governmental activities	<u>\$ 24,063,861</u>

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General	Special Aid	Capital Projects	School Lunch	Total Governmental Funds
REVENUE:					
Real property taxes	\$ 4,539,326	\$ -	\$ -	\$ -	\$ 4,539,326
Other tax items	818,102	-	-	-	818,102
Charges for services	71,138	-	-	-	71,138
Use of money and property	25,846	-	-	4	25,850
Sale of property and compensation for loss	20,821	-	-	-	20,821
Miscellaneous	178,792	42,230	-	42	221,064
State sources	10,375,950	787,839	18,065	7,243	11,189,097
Federal sources	-	746,955	-	250,115	997,070
Medicaid reimbursement	2,794	-	-	-	2,794
Sales	-	-	-	120,658	120,658
Total revenue	16,032,769	1,577,024	18,065	378,062	18,005,920
EXPENDITURES:					
General support	1,589,410	-	-	-	1,589,410
Instruction	7,247,609	1,330,087	-	-	8,577,696
Pupil transportation	1,043,930	-	-	-	1,043,930
Employee benefits	2,971,778	260,083	-	108,300	3,340,161
Home and community service	5,728	-	-	-	5,728
Cost of sales	-	-	-	372,652	372,652
Capital outlays	-	-	18,065	-	18,065
Debt service -					
Principal	1,210,000	-	-	-	1,210,000
Interest	333,900	-	-	-	333,900
Total expenditures	14,402,355	1,590,170	18,065	480,952	16,491,542
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,630,414	(13,146)	-	(102,890)	1,514,378
OTHER FINANCING SOURCES AND (USES):					
Transfers in	7,039	20,185	-	50,000	77,224
Transfers out	(70,185)	(7,039)	-	-	(77,224)
Total other financing sources (uses)	(63,146)	13,146	-	50,000	-
CHANGE IN FUND BALANCE	1,567,268	-	-	(52,890)	1,514,378
FUND BALANCE - beginning of year, as previously reported	12,278,648	-	-	23,312	12,301,960
PRIOR PERIOD ADJUSTMENT (NOTE 3)	8,665	-	-	44,656	53,321
FUND BALANCE - beginning of year, as restated	12,287,313	-	-	67,968	12,355,281
FUND BALANCES - end of year	\$ 13,854,581	\$ -	\$ -	\$ 15,078	\$ 13,869,659

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balance - total governmental funds	\$ 1,514,378
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	585,803
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(1,352,385)
Gains from the disposition of capital assets are not recorded in the governmental funds, but are recorded in the statement of activities.	2,099
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.	1,210,000
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense.	
District pension contributions	813,811
Cost of benefits earned, net of employee contributions	(977,377)
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:	
Change in accrued interest	1,146
Change in compensated absences	<u>(542,084)</u>
Change in net position - governmental activities	<u>\$ 1,255,391</u>

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trusts	Agency
	<u> </u>	<u> </u>
ASSETS:		
Cash	\$ 1,678	\$ 245,437
Cash - restricted	34,735	78,205
Contribution receivable	1,434,940	805
Due from other funds	<u>25</u>	<u>-</u>
Total assets	<u>1,471,378</u>	<u>324,447</u>
LIABILITIES:		
Due to other funds	-	236,912
Extraclassroom activity balances	-	78,205
Other liabilities	<u>3,000</u>	<u>9,330</u>
Total liabilities	<u>3,000</u>	<u>\$ 324,447</u>
NET POSITION:		
Restricted for other	1,678	
Restricted for scholarships	<u>1,466,700</u>	
Total net position	<u>\$ 1,468,378</u>	

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION- FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Gifts and contributions	\$ 1,443,396
Investment earnings	<u>4</u>
Total additions	1,443,400
DEDUCTIONS:	
Scholarships and awards	<u>13,369</u>
CHANGE IN NET POSITION	1,430,031
NET POSITION - beginning of year	<u>38,347</u>
NET POSITION - end of year	<u><u>\$ 1,468,378</u></u>

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

1. NATURE OF OPERATIONS

Dundee 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) consisting of 7 members. The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GAAP. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. 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. Based on the application of these criteria, the following is a brief description of an entity included in the District's reporting entity:

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 Wayne-Finger Lakes Board of Cooperative Education Services (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.

During the year, the District was billed \$1,601,398 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$399,039.

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

Basis of Presentation

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.

District-Wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

District-Wide Statements (Continued)

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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- *General Fund* - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- *Special 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.
- *Capital Projects Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- *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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 extraclassroom activity funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Cash and 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. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Property Taxes

Real property taxes are levied annually by the BOE 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. Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory and Prepaid Items

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.

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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.

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold is used to report capital assets and the range of estimated useful lives by type of assets is as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 50,000	SL	20 - 30 years
Machinery and equipment	\$ 5,000	SL	5 - 25 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. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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.

The liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the 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.

Other Benefits

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

In addition to providing pension benefits, the District allows employees to convert unused sick leave to an escrow fund to cover healthcare costs after retirement. The balance remaining upon death of a retired employee can be applied to the surviving spouse. Upon the death of a surviving spouse, or retired employee if no surviving spouse, the unused balance reverts to the District. The District has no obligation to cover healthcare costs from District appropriations; as such, no other postemployment obligation is recognized.

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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, constructions or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations 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.

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:

Capital reserve

According to Education Law §3651, this reserve must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

<u>Name of Reserve</u>	<u>Maximum Funding</u>	<u>Total Funding Provided</u>	<u>Total Year to Date Balance</u>
Capital Reserve	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Bus Purchase Reserve	\$ 2,000,000	\$ 2,000,000	\$ 1,226,682

Reserve for Debt Service

According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity classifications (Continued)

Repair

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.

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, this reserve must be used for the payment of accrued employee benefits due to 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.

Insurance Reserve

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

Liability Reserve

According to General Municipal Law § 1709(8)(c), this reserve must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater.

Retirement Contribution

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.

Unemployment Insurance Reserve

This 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity classifications (Continued)

Reserve for Tax Reduction

This reserve (EL §1604, §1709) is used to offset the District's tax levy from the sale of real property. This reserve is established by Board action and may be appropriated for a term of up to ten years.

The District appropriated and/or budgeted funds from the following reserves for the 2017-18 budget:

Unemployment	\$ 52,000
Capital	485,176
Retirement Contribution	1,272,708
Insurance	<u>110,000</u>
Total	<u>\$ 1,919,884</u>

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. The District has no committed fund balances as of June 30, 2018.

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 in the General fund. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year-end. The District assignment is based on the functional level of expenditures.

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 restricted fund balance.

In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. PRIOR PERIOD ADJUSTMENTS

Correction of an error

The beginning net position and fund balance were improperly presented and it was determined that prior period adjustments were required to correct the financial statements for governmental activities, the General Fund, and the School Lunch Fund. During fiscal 2018, the District identified that amounts accrued for retirement expenditures were greater than the amount due for fiscal 2017. Therefore, the District reduced expenditures and increased fund balance/net position for 2017. In addition, school lunch revenue was under accrued in fiscal 2017, resulting in an increase to revenue and increase to fund balance/net position. The adjustments below increased the change in net position (fund balance) by \$53,321, \$8,665, and \$44,656 in the government-wide, general fund, and school lunch fund, respectively. The following adjustments were made to properly state net position and fund balance at July 1, 2017:

	Government <u>Wide</u>	General <u>Fund</u>	School Lunch <u>Fund</u>
Beginning fund balance (net position), as previously reported	\$ 22,755,149	\$ 12,278,648	\$ 23,312
To reduce prior year expense related to the Teachers' Retirement System	8,665	8,665	-
To increase state and federal aid revenue in the school lunch fund for recognition in proper year	<u>44,656</u>	<u>-</u>	<u>44,656</u>
Subtotal	<u>53,321</u>	<u>8,665</u>	<u>44,656</u>
Beginning fund balance (net position), as restated	<u>\$ 22,808,470</u>	<u>\$ 12,287,313</u>	<u>\$ 67,968</u>

4. 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.

- **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.

5. CASH

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

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

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including fiduciary funds	<u>\$ 13,702,367</u>	<u>\$ 13,442,497</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 13,272,241	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 13,772,241</u>	

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

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2018</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 5,928	\$ -	\$ -	\$ 5,928
Total nondepreciable cost	<u>5,928</u>	<u>-</u>	<u>-</u>	<u>5,928</u>
Capital assets that are depreciated:				
Buildings and improvements	30,051,856	2,347	-	30,054,203
Furniture and equipment	<u>6,264,915</u>	<u>583,456</u>	<u>(407,646)</u>	<u>6,440,725</u>
Total depreciable historical cost	<u>36,316,771</u>	<u>585,803</u>	<u>(407,646)</u>	<u>36,494,928</u>
Less accumulated depreciation:				
Buildings and improvements	(10,764,482)	(796,980)	-	(11,561,462)
Furniture and equipment	<u>(4,127,940)</u>	<u>(555,405)</u>	<u>409,745</u>	<u>(4,273,600)</u>
Total accumulated depreciation	<u>(14,892,422)</u>	<u>(1,352,385)</u>	<u>409,745</u>	<u>(15,835,062)</u>
Total depreciable cost - net	<u>21,424,349</u>	<u>(766,582)</u>	<u>2,099</u>	<u>20,659,866</u>
Total capital assets, net	<u>\$ 21,430,277</u>	<u>\$ (766,582)</u>	<u>\$ 2,099</u>	<u>\$ 20,665,794</u>

Depreciation expense for the year ended June 30, 2018, was allocated to specific functions as follows:

General support	\$ 15,937
Instruction	1,061,090
Pupil transportation	193,435
School lunch	<u>81,923</u>
Total depreciation	<u>\$ 1,352,385</u>

7. LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>	<u>Due Within</u> <u>One Year</u>
Bonds:					
Serial bonds payable	\$ 11,275,000	\$ -	\$ (1,210,000)	\$ 10,065,000	\$ 1,230,000
Other liabilities:					
Compensated absences	\$ 3,311,012	\$ -	\$ (43,153) {a}	\$ 3,267,859	\$ 194,147

{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	\$ 333,900
Less: Interest accrued in the prior year	(13,913)
Plus: Interest accrued in the current year	<u>12,767</u>
Total interest expense	<u>\$ 332,754</u>

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>6/30/2018</u> <u>Balance</u>
2015 Construction Bond	6/15/2015	6/15/2030	2.00-3.00%	\$ 7,175,000
2016 Series E Bonds	6/15/2016	6/15/2031	2.00-5.00%	2,255,000
2015 Refunding	3/15/2015	6/15/2020	2.00%	<u>635,000</u>
Total bond issue				<u>\$ 10,065,000</u>

7. LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of the maturity of long-term indebtedness as of June 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,230,000	\$ 306,400	\$ 1,536,400
2020	1,260,000	276,700	1,536,700
2021	965,000	242,425	1,207,425
2022	995,000	213,675	1,208,675
2023	1,025,000	183,925	1,208,925
2024-2028	4,050,000	453,150	4,503,150
2029-2031	<u>540,000</u>	<u>35,100</u>	<u>575,100</u>
Totals	<u>\$10,065,000</u>	<u>\$ 1,711,375</u>	<u>\$ 11,776,375</u>

8. INTERFUND BALANCES AND ACTIVITY

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General	\$ 1,783,135	\$ 71,641	\$ 7,039	\$ 70,185
Special Aid	-	1,232,841	20,185	7,039
School Lunch	14,329	20,700	50,000	-
Capital Projects	71,322	306,717	-	-
Fiduciary	<u>25</u>	<u>236,912</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,868,811</u>	<u>\$ 1,868,811</u>	<u>\$ 77,224</u>	<u>\$ 77,224</u>

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.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

9. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, and the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer 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% to 3.5% percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 6 vary based on a sliding salary scale. 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:

	<u>ERS</u>	
2018	\$	313,970
2017	\$	307,288
2016	\$	337,019

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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

At June 30, 2018, the District reported a net pension liability of \$233,287 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2017. 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, 2018, the District's proportionate share was .0072282% percent, which was an increase of .0004258% from its proportionate share measured at June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$323,385. At June 30, 2018, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 83,206	\$ 68,758
Changes of assumptions	154,688	-
Net difference between projected and actual earnings on pension plan investments	338,831	668,818
Changes in proportion and differences between the District's contributions and proportionate share of contributions	97,709	2,908
Contributions subsequent to the measurement date	<u>78,493</u>	<u>-</u>
Total	<u>\$ 752,927</u>	<u>\$ 740,484</u>

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 June 30:

2019	\$	91,292
2020		63,334
2021		(152,558)
2022		<u>(68,118)</u>
	\$	<u>(66,050)</u>

The District recognized \$78,493 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2019.

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018.

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

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 returns, 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0	4.55
International Equity	14.0	6.35
Private Equity	10.0	7.75
Real Estate	10.0	5.80
Absolute Return	2.0	4.00
Opportunistic Portfolio	3.0	5.89
Real Asset	3.0	5.54
Bonds, Cash & Mortgages	17.0	1.31
Cash	1.0	-0.25
Inflation Indexed Bonds	<u>4.0</u>	1.50
	<u>100%</u>	

9. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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.

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% Lower 6.00%	Current 7.00%	1% Higher 8.00%
Proportionate Share of Net Pension liability (asset)	<u>\$ 1,765,112</u>	<u>\$ 233,287</u>	<u>\$ (1,062,576)</u>

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2018, were as follows:

Total pension liability	\$ 183,400,590
Net position	<u>(180,173,145)</u>
Net pension liability (asset)	<u>\$ 3,227,445</u>
ERS net position as a percentage of total pension liability	98.24%

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System

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

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.

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:

		<u>TRS</u>
2018	\$	638,452
2017	\$	710,835
2016	\$	913,901

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

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

At June 30, 2018, the District reported net pension asset of \$261,295 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2016. The District's proportion of the net pension asset 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, 2018 the District's proportionate share was 0.034376%, which was a decrease of 0.000364% from its proportionate share measured at June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$655,706. At June 30, 2018 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	\$ 214,982	\$ 101,876
Changes of assumptions	2,658,732	-
Net difference between projected and actual earnings on pension plan investments	-	615,426
Changes in proportion and differences between the District's contributions and proportionate share of contributions	22,151	38,968
Contributions subsequent to the measurement date	499,841	-
Total	<u>\$ 3,395,706</u>	<u>\$ 756,270</u>

The District recognized \$499,841 as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2017 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Plan's Year Ended March 31:

2018	\$ 59,245
2019	702,198
2020	502,156
2021	123,742
2022	500,692
Thereafter	<u>251,562</u>
	<u>\$ 2,139,595</u>

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

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

Actuarial Assumptions

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. 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.										
	<table><thead><tr><th><u>Service</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></tbody></table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.										

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period of July 1, 2009 to June 30, 2014.

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.

9. PENSION PLANS (Continued)

New York State Teachers' Retirement System (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:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-term expected real rate of return in %</u>
Domestic Equity	35.0	5.9
International Equity	18.0	7.4
Real Estate	11.0	4.3
Private equities	8.0	9.0
Domestic fixed income securities	16.0	1.6
Global Fixed Income Securities	2.0	1.3
High-yield fixed income securities	1.0	3.9
Mortgages	8.0	2.8
	<u>1.0</u>	0.6
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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

The following presents the net pension liability (asset) of the school districts' calculated using the discount rate of 7.25 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.25 percent) or 1% higher (8.25 percent) than the current rate:

	1% Lower 6.25%	Current Discount 7.25%	1% Higher 8.25%
Proportionate Share of Net Pension liability (asset)	<u>\$ 4,501,346</u>	<u>\$ (261,295)</u>	<u>\$ (4,249,771)</u>

9. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2018, were as follows:

Total pension liability	\$ 114,708,261
Net position	<u>(115,468,360)</u>
Net pension liability (asset)	<u>\$ (760,099)</u>
NYSTRS net position as a percentage of total pension liability	100.66%

10. POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the mandated provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by the employees who elect coverage under the Act and the District incurs no direct costs. Through special agreement, the District transfers 100% of coverage of the cost of premiums to an insurance company, which currently provides health care insurance for 31 retirees. The District's transfer for these individuals for fiscal year 2018 is \$236,113 and is paid from a cash value benefit fund whose opening value by employee is determined at retirement date for each employee.

The special agreements the District offers for health insurance benefits to retirees state that for administrators, teachers and support staff who retire from the District they will receive a cash value retirement benefit calculated on their accumulated sick days, not to exceed the maximum per their individual or group contract, multiplied by their daily rate at retirement, as per contract. This benefit is only for the cost of hospitalization and dental insurance and there will be no cash settlement. In the event of the death of the retiree, the surviving spouse will receive the remainder of the cash value for the cost of hospitalization insurance until the benefit is exhausted.

Once this benefit is exhausted the District retirees may continue to belong to the health insurance program at their own cost. Since the District cost of these health benefits for retirees is determined by the value of unused sick time at retirement the liability is computed each year. The District has fully funded the estimated future cost in the amount of \$2,374,069 which is reported in the employee benefit accrued liability reserve in the General Fund.

11. RISK MANAGEMENT

General

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

11. RISK MANAGEMENT (Continued)

Worker's Compensation

The District incurs costs related to the Wayne-Finger Lakes Area School Workers' Compensation Plan (Plan) sponsored by Wayne-Finger Lakes BOCES and its component districts. The Insurance Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Ontario, Seneca, Yates, Cayuga and Dundee Counties Board of Cooperative Educational Services with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of Wayne-Finger Lakes BOCES and twenty-two districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any 'excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the Dundee Central School District incurred premiums or contribution expenditures totaling \$94,241.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2017 revealed that the Plan is operating at a surplus of \$1,575,855. At this time, the District has not been required to make any additional premium payments to fund this deficit.

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 a self-insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2017-2018 fiscal year totaled \$1,290. The balance of the fund at June 30, 2018 is \$1,775,612 and is recorded in the General fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2018, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

12. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

Budgets

The District administration prepares a proposed budget for approval by the BOE for the General Fund.

The voters of the District approved the proposed appropriation budget.

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 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 restriction, if the board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.

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.

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 assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

Fund Balance

The District's unrestricted fund balance in its General fund was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District plans to address this issue by seeking voter approval to create a capital reserve during fiscal year 2018-19.

Portions of the fund balances are restricted and are not available for current expenditures or expenses, as reported in the governmental funds balance sheet.

13. CONTINGENCIES AND COMMITMENTS

Litigation

There is no litigation pending against the District as of the balance sheet date.

Grants

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.

Rental of District Property

The District leases classroom space to Finger Lakes Community College. The total lease payment received by the District for the fiscal year ended June 30, 2018 totaled \$31,791.

14. TAX ABATEMENT

The District has multiple real property tax abatement agreements entered into by the Yates and Schuyler County Industrial Development Agencies (IDA's) under Article 18-A of the real property tax law. These agreements provide for abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT).

The following information summarizes the PILOT agreements entered into by the Yates and Schuyler County IDA's relating to the District:

<u>Year Began</u>	<u>Agreement / Property</u>	<u>Total Assessed Value</u>	<u>Abatement Rate</u>	<u>Pilot Taxable Value</u>	<u>School Tax Rate / 1000</u>	<u>Regular Taxable Amount</u>	<u>Pilot Payment Received</u>	<u>Taxes Abated</u>
2015	Finger Lakes Railroad Corp	\$ 1,800,000	Varies	\$ 1,800,000	10.675979	\$ 19,217	\$ 12,838	\$ 6,379
2007	Empire Pipeline	\$ 16,891,774	Varies	\$ 16,855,776	10.676179	179,955	134,536	45,419
2010	Winery Properties	\$ 800,000	60%	\$ 800,000	10.675979	8,541	4,270	4,271
2012	BWF Holdings	\$ 375,000	50%	\$ 375,000	10.675979	4,003	2,856	1,147
2011	BWF Holdings	\$ 1,030,800	50%	\$ 1,030,800	10.675979	11,005	6,214	4,791
2007	Empire Pipeline	\$ 525,789	0%	\$ 525,789	10.676158	5,613	-	5,613
2007	Empire Pipeline	\$ 2,329,029	Varies	\$ 2,321,028	10.674882	24,777	34,326	(9,549)
						<u>\$ 253,111</u>	<u>\$ 195,040</u>	<u>\$ 58,071</u>

The District did not participate in Mortgage and Sales tax abatements granted by the IDAs.

17. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. The District is required to adopt the provisions of this Statement for the year ending June 30, 2020.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement apply to the financial statements of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. This Statement establishes practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement establishes accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

17. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED (Continued)

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement improves the information that is disclosed in the notes to govern financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The District is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of the construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of the construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The District is required to adopt the provisions of the Statement for the year ending June 30, 2020.

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

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

DUNDEE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
Real property taxes	\$ 5,149,000	\$ 5,149,000	\$ 4,539,326	\$ -	\$ (609,674)
Other tax items	190,500	190,500	818,102	-	627,602
Charges for services	130,000	130,000	71,138	-	(58,862)
Use of money and property	7,000	7,000	25,846	-	18,846
Sale of property and compensation for loss	-	-	20,821	-	20,821
Miscellaneous	145,000	147,150	178,792	-	31,642
State sources	10,253,633	10,253,633	10,375,950	-	122,317
Medicaid reimbursement	20,000	20,000	2,794	-	(17,206)
Total revenue	<u>15,895,133</u>	<u>15,897,283</u>	<u>16,032,769</u>	<u>-</u>	<u>135,486</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	57,459	74,177	54,509	5,548	14,120
Central administration	178,992	179,747	176,402	-	3,345
Finance	333,242	351,341	287,553	15,357	48,431
Staff	67,444	67,449	44,080	-	23,369
Central services	1,157,339	1,141,058	826,149	26,994	287,915
Special items	210,735	210,735	200,717	-	10,018
Total general support	<u>2,005,211</u>	<u>2,024,507</u>	<u>1,589,410</u>	<u>47,899</u>	<u>387,198</u>
INSTRUCTION:					
Instruction, administration, and improvement	548,044	573,259	442,907	-	130,352
Teaching - regular school	3,707,247	3,663,847	2,876,145	8,080	779,622
Programs for children with handicapping conditions	2,448,829	2,463,966	2,266,744	419	196,803
Occupational education	362,000	352,451	333,848	-	18,603
Teaching - special school	81,118	81,118	46,193	-	34,925
Instructional media	502,597	532,873	457,486	29,084	46,303
Pupil services	873,103	904,555	824,286	11,627	68,642
Total instruction	<u>8,522,938</u>	<u>8,572,069</u>	<u>7,247,609</u>	<u>49,210</u>	<u>1,275,250</u>
Pupil transportation	1,246,342	1,256,845	1,043,930	-	212,915
Home and community service	12,910	7,910	5,728	-	2,182
Employee benefits	4,569,493	4,519,493	2,971,778	-	1,547,715
Debt service	1,687,938	1,687,938	1,543,900	-	144,038
Total expenditures	<u>18,044,832</u>	<u>18,068,762</u>	<u>14,402,355</u>	<u>97,109</u>	<u>3,569,298</u>
Deficiency of revenue over expenditures	<u>(2,149,699)</u>	<u>(2,171,479)</u>	<u>1,630,414</u>	<u>(97,109)</u>	<u>3,704,784</u>
OTHER FINANCING USES:					
Transfers in	-	-	7,039	-	7,039
Transfers out	(20,185)	(70,185)	(70,185)	-	-
Total other financing uses	<u>(20,185)</u>	<u>(70,185)</u>	<u>(63,146)</u>	<u>-</u>	<u>7,039</u>
CHANGE IN FUND BALANCES	<u>\$ (2,169,884)</u>	<u>\$ (2,241,664)</u>	<u>1,567,268</u>	<u>\$ (97,109)</u>	<u>\$ 3,711,823</u>
FUND BALANCE - beginning of year, as previously reported			12,278,648		
PRIOR PERIOD ADJUSTMENT (NOTE 3)			<u>8,665</u>		
FUND BALANCE - beginning of year, as restated			<u>12,287,313</u>		
FUND BALANCE - end of year			<u>\$ 13,854,581</u>		

DUNDEE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.007%	0.007%	0.007%	0.007%						
Proportionate share of the net pension liability (asset)	\$ 233	\$ 639	\$ 1,111	\$ 224						
Covered-employee payroll	\$ 2,227	\$ 2,127	\$ 2,020	\$ 2,102						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.46%	30.04%	55.00%	10.66%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.70%	97.90%						

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.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.034%	0.035%	0.035%	0.033%						
Proportionate share of the net pension liability (asset)	\$ (261)	\$ 372	\$ (3,605)	\$ (3,707)						
Covered-employee payroll	\$ 5,448	\$ 5,361	\$ 5,412	\$ 5,225						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.79%	6.94%	-66.61%	-70.95%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%						

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.

DUNDEE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 314	\$ 307	\$ 337	\$ 401						
Contributions in relation to the contractually required contribution	314	307	337	401						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 2,227	\$ 2,127	\$ 2,020	\$ 2,102						
Contributions as a percentage of covered-employee payroll	14.10%	14.43%	16.68%	19.08%						

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.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 638	\$ 711	\$ 914	\$ 955						
Contributions in relation to the contractually required contribution	638	711	914	955						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 5,448	\$ 5,361	\$ 5,412	\$ 5,225						
Contributions as a percentage of covered-employee payroll	11.71%	13.26%	16.89%	18.28%						

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.

**SUPPLEMENTARY INFORMATION
(UNAUDITED)**

DUNDEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION - GENERAL FUND (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 18,065,017
Add: Prior year's encumbrances	<u>71,782</u>
Original budget	<u>18,136,799</u>
Budget revisions:	
General support	(8,437)
Instruction	5,232
Pupil transportation	10,353
Community service	(5,000)
Employee benefits	(50,000)
Other financing uses	<u>50,000</u>
	<u>2,148</u>
Final budget	<u>\$ 18,138,947</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	<u>\$ 18,848,997</u>	
Maximum allowed (4% of 2018-19 budget)		<u>\$ 753,960</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :		
Unrestricted fund balance		
Assigned fund balance	\$ 347,109	
Unassigned fund balance	<u>2,628,237</u>	
Total unrestricted fund balance	<u>2,975,346</u>	
Less:		
Appropriated fund balance	250,000	
Encumbrances included in assigned fund balance	<u>97,109</u>	
Total adjustments	<u>\$ 347,109</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,628,237</u>
Actual percentage		13.94%

DUNDEE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years' Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Unexpended Balance</u>	<u>Serial bonds</u>	<u>Federal and State sources</u>	<u>Local Sources</u>	<u>Total Financing</u>	<u>Fund balance as of 6/30/2018</u>
Smart Schools Bond Act	\$ 888,015	\$ 888,015	\$ 550,232	\$ 18,065	\$ 568,297	\$ 319,718	\$ -	\$ 568,297	\$ -	\$ 568,297	\$ -
	<u>\$ 888,015</u>	<u>\$ 888,015</u>	<u>\$ 550,232</u>	<u>\$ 18,065</u>	<u>\$ 568,297</u>	<u>\$ 319,718</u>	<u>\$ -</u>	<u>\$ 568,297</u>	<u>\$ -</u>	<u>\$ 568,297</u>	<u>\$ -</u>

DUNDEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ 20,665,794
Deduct:	
Short-term portion of bonds payable	(1,230,000)
Long-term portion of bonds payable	<u>(8,835,000)</u>
Net investment in capital assets	<u>\$ 10,600,794</u>

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 15, 2018

To the Board of Education
Dundee 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 Dundee Central School District (District), as of and for the year ended June 30, 2018, 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 15, 2018.

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.

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

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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*.

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.

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

October 15, 2018

To the Board of Education of the
Dundee Central School District:

Report on Compliance for Each Major Federal Program

We have audited the Dundee Central School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

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(Continued)

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

DUNDEE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Passed through New York State Education Department -			
Title I Grants to Local Educational Agencies	84.010	0021-18-3870	\$ 436,752
Title I Grants to Local Educational Agencies	84.010	0021-17-3870	<u>13,550</u>
<i>Subtotal Title I Grants to Local Educational Agencies</i>			<u>450,302</u>
Rural Education	84.358	0006-18-3870	13,430
Supporting Effective Instruction State Grants	84.367	0147-18-3870	60,736
Special Education Cluster -			
Special Education Grants to States	84.027	0032-18-1123	211,675
Special Education Preschool Grants	84.173	0033-18-1123	<u>10,812</u>
<i>Subtotal Special Education Cluster</i>			<u>222,487</u>
<i>Total Passed through New York State Education Department</i>			<u>746,955</u>
Total U.S. Department of Education			<u>746,955</u>
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	<u>20,681</u>
Passed through New York State Education Department -			
National School Lunch Program	10.555	N/A	184,673
School Breakfast Program	10.553	N/A	<u>44,761</u>
<i>Total Passed through New York State Education Department</i>			<u>229,434</u>
<i>Subtotal Child Nutrition Cluster</i>			<u>250,115</u>
Total U.S. Department of Agriculture			<u>250,115</u>
Total Expenditures of Federal Awards			<u>\$ 997,070</u>
<u>Total Program Expenditures by CFDA Number</u>			
National School Lunch Program	10.555	N/A	<u>\$ 205,354</u>

The accompanying notes are an integral part of these statements.

DUNDEE CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Dundee Central School District (District), under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the District's general ledger.

The District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH PROGRAMS

Where the District receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the District's financial management system. The District has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards, as available.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

5. MATCHING COSTS

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

6. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary" program. During the year ended June 30, 2018, the District received food commodities, the fair value of which amounted to \$20,681, is presented in the Schedule as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the District's single audit.

DUNDEE CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified not considered to be material weaknesses?

Yes None noted

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiencies identified not considered to be material weaknesses?

Yes None noted

Type of auditor's report issued on compliance for major program

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

Yes No

Identification of major programs:

CFDA Number Name of Federal Program

84.010 Title I - Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.