

DUANESBURG
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

DUANESBURG CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Duanesburg Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Duanesburg Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and the District's contributions on pages M1-M9 and 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Duanesburg Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the Duanesburg Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Duanesburg Central School District's internal control over financial reporting and compliance.

Raymond G. Preusser, CPA, PC

Claverack, New York
October 30, 2018

DUANESBURG CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2018

INTRODUCTION

The Duanesburg Central School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position increased from (\$3,483,601) restated due to implementation of GASB 75 to (\$1,361,895), an increase of \$2,121,706.
- As of the close of this fiscal year, the District's governmental funds reported combined fund balances of \$6,654,806, a decrease of \$5,721,216 in comparison with the prior year.
- The District appropriated \$731,034 of the fund balance to offset 2018-2019 taxes. The Board of Education and District Administrators recognize the probability of difficult budget cycles for the next few years. We continue to be conservative in our expenditures and planning while preserving an excellent academic program for our students. Our planning includes understanding and balancing taxpayer burden and the responsible use of our Reserve Funds. This ensures the District's long term financial viability and ability to respond to emergencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. District-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to these statements, this report also includes required supplemental information and other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Districtwide Financial Statements	↔	Fund Financial Statements
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Notes to the Basic Financial Statements

Required Supplemental Information (Part B)

General Fund Budget to Actual Schedule

Changes in the Total OPEB Liability

District's Proportionate Share of the Net Pension Asset/Liability

District Contributions

Other Supplemental Information

General Fund Budget & Fund Balance Information

Capital Project Funds Schedule of Project Expenditures

Schedule of Net Investment in Capital Assets

DISTRICTWIDE FINANCIAL STATEMENTS

The district wide 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 of 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 or deteriorating.

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 this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the districtwide financial statements as *governmental activities*, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

DISTRICTWIDE FINANCIAL ANALYSIS

Duanesburg Central School District's Net Position June 30, 2018 and 2017

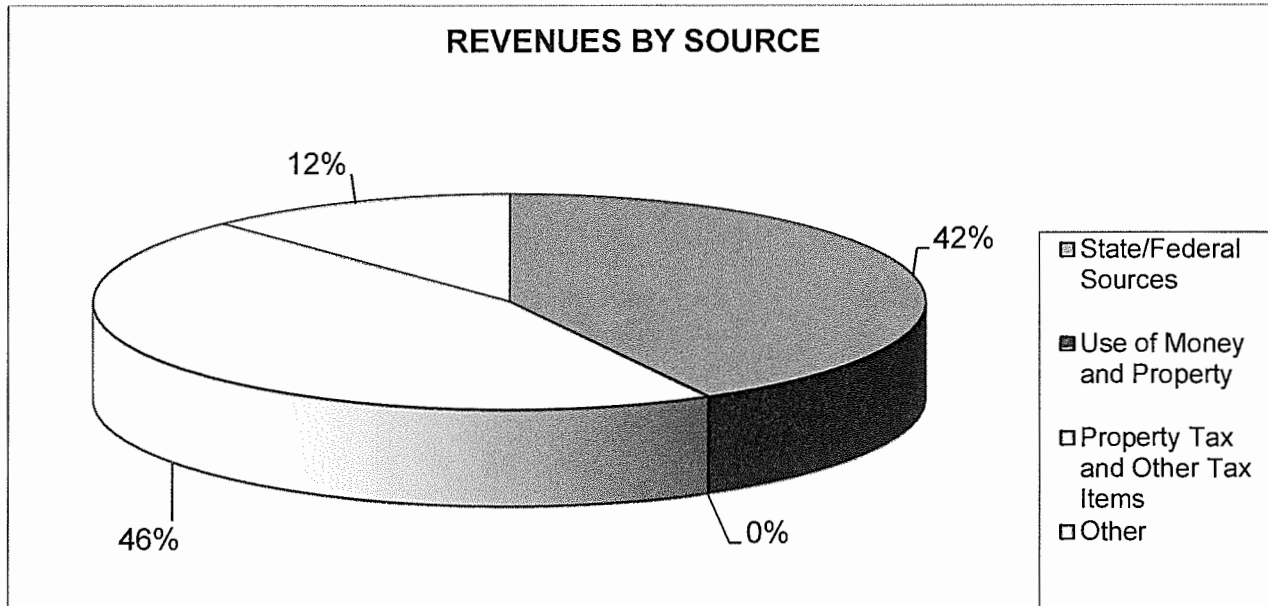
	Governmental Activities		Variance
	2018	Restated 2017	Increase (Decrease)
Current Assets	\$21,066,042	\$12,790,428	\$ 8,275,614
Capital Assets	29,377,874	20,191,751	9,186,123
Net Pension Asset	226,489	-	226,489
Total Assets	50,670,405	32,982,179	17,688,226
Deferred Outflows of Resources	4,270,759	4,335,004	(64,245)
Total Assets and Outflows of Resources	54,941,164	37,317,183	17,623,981
Current Liabilities	14,737,125	12,419,720	2,317,405
Long-Term Obligations	39,119,786	27,265,136	11,854,650
Net Pension Liability	182,891	875,431	(692,540)
Total Liabilities	54,039,802	40,560,287	13,479,515
Deferred Inflows of Resources	2,263,257	240,497	2,022,760
Total Liabilities and Inflows of Resources	56,303,059	40,800,784	15,502,275
Net Position:			
Investment in capital assets, net of related debt	13,259,954	12,181,717	1,078,237
Restricted	5,293,523	11,659,203	(6,365,680)
Unrestricted (deficit)	(19,915,372)	(27,324,521)	7,409,149
Total Net Position	\$ (1,361,895)	\$ (3,483,601)	\$ 2,121,706

**Duanesburg Central School District's
Changes in Net Position
For the Years Ended June 30, 2018 and 2017**

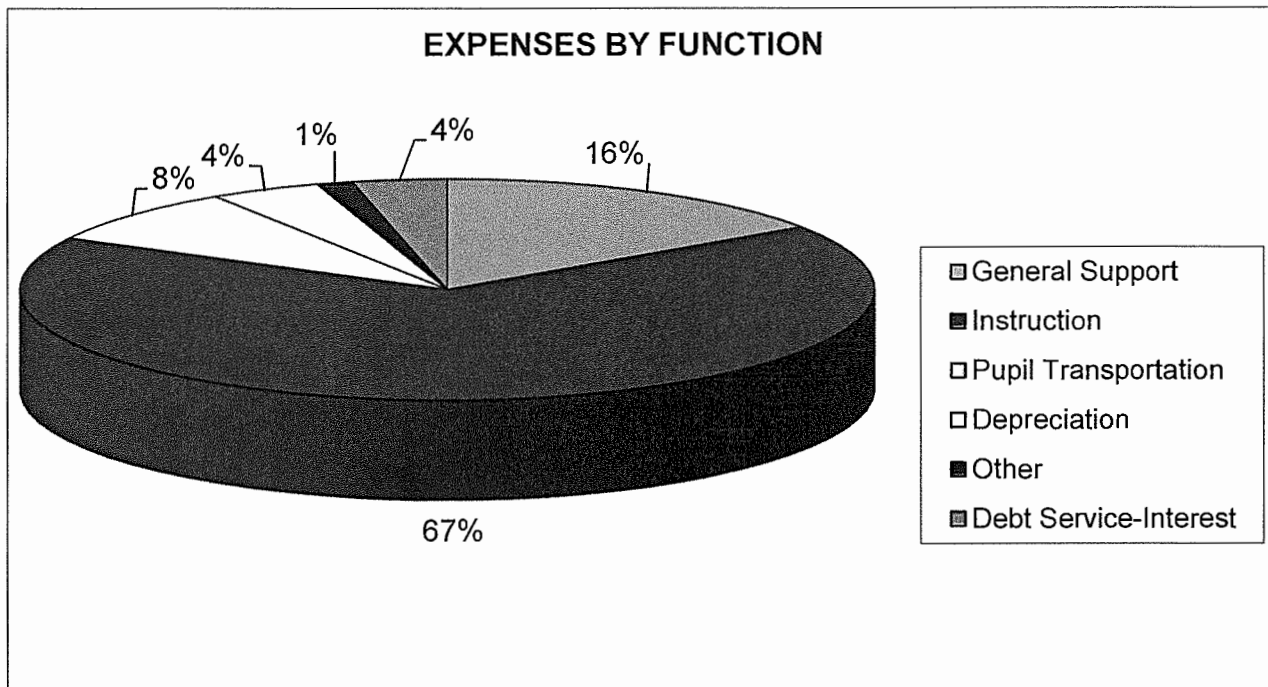
	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 262,096	\$ 270,043	\$ (7,947)
Operating Grants and Contributions	536,812	552,856	(16,044)
Total Program Revenues	<u>\$ 798,908</u>	<u>\$ 822,899</u>	<u>\$ (23,991)</u>
General Revenues:			
Real Property Taxes	\$7,060,910	\$ 6,938,969	\$ 121,941
Other Tax Items	944,196	941,805	2,391
Use of Money and Property	11,546	22,935	(11,389)
Sale of Property and Compensation for Loss	7,452	26,753	(19,301)
Miscellaneous	199,953	164,888	35,065
State Sources	7,351,764	7,097,200	254,564
Federal Sources	7,302	33,222	(25,920)
Premium on Obligations	1,913,381	69,742	1,843,639
Total General Revenues	<u>17,496,504</u>	<u>15,295,514</u>	<u>2,200,990</u>
<u>Expenses:</u>			
Instruction	10,328,188	9,870,203	457,985
Support Services:			
General Support	2,389,840	2,104,609	285,231
Pupil Transportation	1,252,677	1,259,861	(7,184)
Debt Service-Interest	547,010	100,211	446,799
Depreciation	646,357	631,604	14,753
Fiscal Agent Fees	177,410	-	177,410
School Lunch	33,316	56,929	(23,613)
Total Expenses	<u>15,374,798</u>	<u>14,023,417</u>	<u>1,351,381</u>
Change in Net Position	<u>\$ 2,121,706</u>	<u>\$ 1,272,097</u>	<u>\$ 849,609</u>

The following charts provide the percentage breakdowns of all revenues by source and all expenses by function for the entire District.

District-wide Revenues by Source
For the Year Ended June 30, 2018



District-wide Expenses by Function
For the Year Ended June 30, 2018



FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- **Governmental funds:** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the districtwide financial statements because it cannot use these assets to finance its operations.

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$6.7 million, which is above last year's total of \$.93 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2018 and 2017.

	Fund Balance 2018	Fund Balance 2017	Variance Increase (Decrease)
General	\$ 5,243,829	\$ 4,631,049	\$ 612,780
School Lunch	29,191	37,507	(8,316)
Special Aid	-	-	-
Capital	914,530	(4,075,885)	4,990,415
Debt Service	467,256	340,919	126,337
Totals	<u>\$ 6,654,806</u>	<u>\$ 933,590</u>	<u>\$ 5,721,216</u>

General Fund

The tables that follow assist in illustrating the financial activities and balance of the general fund.

<u>Revenues:</u>	<u>2018</u>	<u>2017</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 8,005,106	\$ 7,880,774	\$ 124,332
Use of Money and Property	9,436	17,359	(7,923)
State/Federal Sources	7,273,300	7,130,422	142,878
Other	360,553	349,071	11,482
Totals	<u>\$ 15,648,395</u>	<u>\$ 15,377,626</u>	<u>\$ 270,769</u>

<u>Expenses:</u>	<u>2018</u>	<u>2017</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 1,978,607	\$ 1,701,527	\$ 277,080
Instruction	7,744,169	7,300,993	443,176
Pupil Transportation	871,715	855,876	15,839
Employee Benefits	2,916,209	2,872,143	44,066
Debt Service	1,474,003	1,048,904	425,099
Other	50,912	1,660,207	(1,609,295)
Totals	<u>\$ 15,035,615</u>	<u>\$ 15,439,650</u>	<u>\$ (404,035)</u>

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the general fund's original budget and the final amended budget was \$387,619. This amount represents the carryover encumbrances from 2016/17 of \$272,519, additional state aid of \$100,000, gifts and donations of \$9,957 and sale of surplus equipment of \$5,143.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2018 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 9,000
Construction in Progress	17,845,244
Buildings and Improvements	9,865,823
Machinery and Equipment	669,784
Vehicles	<u>988,023</u>
Total	<u>\$29,377,874</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$9,186,123. The most significant increases to capital assets were attributable to the purchase of equipment and vehicles plus capital project costs less the depreciation expense.

DEBT

The District had total debt including a bond anticipation note payable and serial bonds outstanding in the amount of \$29,076,144 as of June 30, 2018 an increase over the previous year of \$14,238,474. The debt outstanding for the year ended June 30, 2018 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bond Anticipation Note Payable	\$13,621,244
Bonds	<u>15,454,900</u>
Total	<u>\$29,076,144</u>

The District has refunding bonds outstanding, the proceeds of which are in escrow to fund other previously existing debt. The refunding was done to reduce future interest payments.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the total full value of real property. At June 30, 2018 the District's general obligation debt was significantly lower than its total debt limit. The District has a bond rating of Aa3.

District residents have been supportive to the capital project that started in 2016. Debt increased since borrowing occurred to pay for the project.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

Challenges facing the District are the state's economy and its effect on state aid funding levels and the enactment of the Property Tax Cap Chapter 97 of the Laws of 2011 which could result in revenue forecasts having to be revised downward and could cause the District to scale down the educational program offerings or seek additional resources.

The future cost of employee benefits continues to be a major budgetary factor for all school districts. The continued rapid growth in the cost of health insurance combined with the costs of funding the Teachers' Retirement System and Employees' Retirement System are projected to have a significant budgetary impact in the future. Although current forecasts expect a leveling of the rates, the market's volatility is a major factor of concern.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Duanesburg Central School District
133 School Drive
Delanson, New York 12053

DUANESBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Unrestricted cash	\$ 2,192,310	
Restricted cash	17,706,325	
Other receivables, net	292	
State and federal aid receivable	904,693	
Due from other governments	251,215	
Inventories	11,207	
Capital assets, net	29,377,874	
Net pension asset	226,489	
Total Assets		<u>\$ 50,670,405</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	\$ 3,717,322	
OPEB-GASB 75	553,437	
Total Deferred Outflows of Resources		<u>\$ 4,270,759</u>

LIABILITIES

Current Liabilities:

Accounts payable	\$ 140,784	
Accrued liabilities	348,278	
Bond anticipation notes payable	13,621,244	
Due to other governments	192	
Due to teachers' retirement system	545,917	
Due to employees' retirement system	65,101	
Unearned revenue	15,609	

Long-Term Liabilities:

Due and payable within one year

Bonds payable	<u>579,900</u>	
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Due and payable after one year

Bonds payable	14,875,000	
Compensated absences payable	31,450	
Other postemployment benefits payable	23,633,436	
Net pension liability - proportionate share	<u>182,891</u>	

Total Liabilities		<u>\$ 54,039,802</u>
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DEFERRED INFLOWS OF RESOURCES

Pensions	1,239,579	
OPEB-GASB 75	<u>1,023,678</u>	
Total Deferred Inflows of Resources		<u>\$ 2,263,257</u>

NET POSITION

Net Investment in Capital Assets	13,259,954	
Restricted	5,293,523	
Unrestricted (deficit)	<u>(19,915,372)</u>	
Total Net Position		<u><u>\$ (1,361,895)</u></u>

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For Year Ended June 30, 2018

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 1,927,367	\$ 462,473	\$ -	\$ -	\$ (2,389,840)
Instruction	7,896,996	2,982,769	153,148	398,429	(10,328,188)
Pupil transportation	905,271	370,152	-	22,746	(1,252,677)
Employee benefits	3,867,668	(3,867,668)	-	-	-
Debt service-interest	547,010	-	-	-	(547,010)
Depreciation	646,357	-	-	-	(646,357)
School lunch program	205,627	52,274	108,948	115,637	(33,316)
Fiscal agent fees	177,410	-	-	-	(177,410)
Total Functions and Programs	\$ 16,173,706	\$ -	\$ 262,096	\$ 536,812	(15,374,798)
GENERAL REVENUES					
Real property taxes					7,060,910
Other tax items					944,196
Use of money and property					11,546
Sale of property and compensation for loss					7,452
Miscellaneous					199,953
State sources					7,351,764
Federal sources					7,302
Premium on obligations					1,913,381
Total General Revenues					17,496,504
Change in Net Position					2,121,706
Total Net Position - Beginning of year, restated (See Note X.)					(3,483,601)
Total Net Position - End of year					\$ (1,361,895)

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2018

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 2,192,310	\$ -	\$ -	\$ 2,192,310
Restricted cash	17,706,325	-	-	17,706,325
Other receivables, net	292	-	-	292
Due from other funds	184,570	-	(184,570)	-
Due from other governments	251,215	-	-	251,215
State and federal aid receivable	904,693	-	-	904,693
Inventories	11,207	-	-	11,207
Capital assets, (net)	-	29,377,874	-	29,377,874
Net pension asset	-	226,489	-	226,489
Total Assets	\$ 21,250,612	\$ 29,604,363	\$ (184,570)	\$ 50,670,405
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	\$ -	\$ 3,717,322	\$ -	\$ 3,717,322
OPEB-GASB 75	-	553,437	-	553,437
Total Deferred Outflows of Resources	\$ -	\$ 4,270,759	\$ -	\$ 4,270,759
LIABILITIES				
Accounts payable	\$ 140,784	\$ -	\$ -	\$ 140,784
Accrued liabilities	22,389	325,889	-	348,278
Bond anticipation notes payable	13,621,244	-	-	13,621,244
Bonds payable	-	15,454,900	-	15,454,900
Due to other funds	184,570	-	(184,570)	-
Due to other governments	192	-	-	192
Due to teachers' retirement system	545,917	-	-	545,917
Due to employees' retirement system	65,101	-	-	65,101
Other postemployment benefits payable	-	23,633,436	-	23,633,436
Compensated absences	-	31,450	-	31,450
Unearned revenues	15,609	-	-	15,609
Net pension liability- proportionate share	-	182,891	-	182,891
Total Liabilities	\$ 14,595,806	\$ 39,628,566	\$ (184,570)	\$ 54,039,802
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 1,239,579	\$ -	\$ 1,239,579
OPEB-GASB 75	-	1,023,678	-	1,023,678
Total Deferred Inflows of Resources	\$ -	\$ 2,263,257	\$ -	\$ 2,263,257
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Position	\$ 6,654,806	\$ (8,016,701)	\$ -	\$ (1,361,895)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position	\$ 21,250,612	\$ 33,875,122	\$ (184,570)	\$ 54,941,164

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2018

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 7,060,910	\$ -	\$ -	\$ -	\$ 7,060,910
Other tax items	944,196	-	-	-	944,196
Charges for services	153,148	-	-	-	153,148
Use of money and property	11,546	-	-	-	11,546
Sale of property and compensation for loss	7,452	-	-	-	7,452
Miscellaneous	208,243	-	-	-	208,243
State sources	7,459,429	-	-	-	7,459,429
Federal sources	430,065	-	-	-	430,065
Sales - school lunch	107,042	-	-	-	107,042
Total Revenues	<u>16,382,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,382,031</u>
EXPENDITURES\EXPENSES					
General support	1,978,607	-	(51,240)	-	1,927,367
Instruction	8,168,510	(16,459)	(255,055)	-	7,896,996
Pupil transportation	894,461	-	10,810	-	905,271
Employee benefits	2,968,483	899,185	-	-	3,867,668
Debt service-principal	1,212,670	-	-	(1,212,670)	-
- interest	261,333	285,677	-	-	547,010
Cost of sales	205,627	-	-	-	205,627
Depreciation	-	-	646,357	-	646,357
Capital outlay	9,536,995	-	(9,536,995)	-	-
Total Expenditures	<u>25,226,686</u>	<u>1,168,403</u>	<u>(9,186,123)</u>	<u>(1,212,670)</u>	<u>15,996,296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,844,655)</u>	<u>(1,168,403)</u>	<u>9,186,123</u>	<u>1,212,670</u>	<u>385,735</u>
OTHER SOURCES AND USES					
BANS redeemed from appropriations	690,000	-	-	(690,000)	-
Premium on obligations	1,913,381	-	-	-	1,913,381
Proceeds from debt	12,139,900	-	-	(12,139,900)	-
Fiscal agent fees	(177,410)	-	-	-	(177,410)
Operating transfers in	50,912	(50,912)	-	-	-
Operating transfers (out)	(50,912)	50,912	-	-	-
Total Other Sources (Uses)	<u>14,565,871</u>	<u>-</u>	<u>-</u>	<u>(12,829,900)</u>	<u>1,735,971</u>
Net Change for the Year	<u>\$ 5,721,216</u>	<u>\$ (1,168,403)</u>	<u>\$ 9,186,123</u>	<u>\$ (11,617,230)</u>	<u>\$ 2,121,706</u>

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 1,139,571	\$ 12,045	\$ 16,664	\$ -	\$ 1,024,030	\$ 2,192,310
Restricted cash	3,727,325	-	-	467,256	13,511,744	17,706,325
Other receivables, net	-	-	292	-	-	292
State and federal aid receivable	712,433	185,663	6,597	-	-	904,693
Due from other governments	251,215	-	-	-	-	251,215
Due from other funds	184,570	-	-	-	-	184,570
Inventories	-	-	11,207	-	-	11,207
Total Assets	<u>\$ 6,015,114</u>	<u>\$ 197,708</u>	<u>\$ 34,760</u>	<u>\$ 467,256</u>	<u>\$ 14,535,774</u>	<u>\$ 21,250,612</u>
LIABILITIES						
Accounts payable	\$ 139,647	\$ 1,137	\$ -	\$ -	\$ -	\$ 140,784
Accrued liabilities	20,620	-	1,769	-	-	22,389
Bond anticipation notes payable	-	-	-	-	13,621,244	13,621,244
Due to other funds	-	184,570	-	-	-	184,570
Due to other governments	-	-	192	-	-	192
Due to teachers' retirement system	545,917	-	-	-	-	545,917
Due to employees' retirement system	65,101	-	-	-	-	65,101
Unearned revenues	-	12,001	3,608	-	-	15,609
Total Liabilities	<u>771,285</u>	<u>197,708</u>	<u>5,569</u>	<u>-</u>	<u>13,621,244</u>	<u>14,595,806</u>
FUND BALANCES						
Non-spendable	-	-	11,207	-	-	11,207
Restricted	3,727,325	-	-	467,256	1,098,942	5,293,523
Assigned	830,504	-	17,984	-	-	848,488
Unassigned (Deficit)	686,000	-	-	-	(184,412)	501,588
Total Fund Balances	<u>5,243,829</u>	<u>-</u>	<u>29,191</u>	<u>467,256</u>	<u>914,530</u>	<u>6,654,806</u>
Total Liabilities and Fund Balance	<u>\$ 6,015,114</u>	<u>\$ 197,708</u>	<u>\$ 34,760</u>	<u>\$ 467,256</u>	<u>\$ 14,535,774</u>	<u>\$ 21,250,612</u>

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL
FUNDS
For Year Ended June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 7,060,910	\$ -	\$ -	\$ -	\$ -	\$ 7,060,910
Other tax items	944,196	-	-	-	-	944,196
Charges for services	153,148	-	-	-	-	153,148
Use of money and property	9,436	-	-	2,110	-	11,546
Sale of property and compensation for loss	7,452	-	-	-	-	7,452
Miscellaneous	199,953	6,384	1,906	-	-	208,243
State sources	7,265,998	103,646	4,019	-	85,766	7,459,429
Federal sources	7,302	311,145	111,618	-	-	430,065
Sales	-	-	107,042	-	-	107,042
Total Revenues	15,648,395	421,175	224,585	2,110	85,766	16,382,031
EXPENDITURES						
General support	1,978,607	-	-	-	-	1,978,607
Instruction	7,744,169	424,341	-	-	-	8,168,510
Pupil transportation	871,715	22,746	-	-	-	894,461
Employee benefits	2,916,209	-	52,274	-	-	2,968,483
Debt service						
Principal	1,212,670	-	-	-	-	1,212,670
Interest	261,333	-	-	-	-	261,333
Cost of sales	-	-	205,627	-	-	205,627
Capital outlay	-	-	-	-	9,536,995	9,536,995
Total Expenditures	14,984,703	447,087	257,901	-	9,536,995	25,226,686
Excess (Deficiency) of Revenues Over Expenditures	663,692	(25,912)	(33,316)	2,110	(9,451,229)	(8,844,655)
OTHER SOURCES AND USES						
BANS redeemed from appropriations	-	-	-	-	690,000	690,000
Premium on obligations	-	-	-	124,227	1,789,154	1,913,381
Proceeds from debt	-	-	-	-	12,139,900	12,139,900
Fiscal agent fees	-	-	-	-	(177,410)	(177,410)
Operating transfers in	-	25,912	25,000	-	-	50,912
Operating transfers (out)	(50,912)	-	-	-	-	(50,912)
Total Other Sources (Uses)	(50,912)	25,912	25,000	124,227	14,441,644	14,565,871
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	612,780	-	(8,316)	126,337	4,990,415	5,721,216
Fund Balance- (Deficit) Beginning of year	4,631,049	-	37,507	340,919	(4,075,885)	933,590
Fund Balance - (Deficit) End of year	\$ 5,243,829	\$ -	\$ 29,191	\$ 467,256	\$ 914,530	\$ 6,654,806

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 52,930	\$ 406,356
Total Assets	<u>\$ 52,930</u>	<u>\$ 406,356</u>
LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 44,377
Other liabilities	-	361,979
Total Liabilities	<u>-</u>	<u>\$ 406,356</u>
NET POSITION		
Reserved for scholarships	<u>\$ 52,930</u>	

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Year Ended June 30, 2018

	Private Purpose Trusts
ADDITIONS	
Contributions	<u>\$ 12,000</u>
Total Additions	<u>12,000</u>
 DEDUCTIONS	
Scholarships and awards	<u>12,664</u>
Change in Net Position	(664)
Net Position - Beginning of year	<u>53,594</u>
Net Position - End of year	<u><u>\$ 52,930</u></u>

See auditor's report. See notes to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies**

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

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

A. **Reporting Entity**

The Duanesburg Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Duanesburg Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included in these financial statements. The District accounts for assets held as an agent for various student organizations in an agency fund.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

The Duanesburg Central School District is one of 23 component school districts in the Capital District Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

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

During the year ended June 30, 2018, the Duanesburg Central School District was billed \$1,732,950 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$523,417. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The Districtwide 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,

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

1. Districtwide Statements (Continued)

State Aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

2. Fund Financial Statements

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

The District reports the following funds:

a. Major Governmental Funds

- (1) 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.
- (2) Special Aid Fund** - These funds account 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.

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

a. Major Governmental Funds (Continued)

- (3) School Lunch Fund** – Used to account for transactions of the District’s lunch and breakfast programs.
- (4) Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the districtwide 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:

- (1) Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- (2) Agency Funds** – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

The districtwide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange 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. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

E. Cash and Investments

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

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 15. Taxes are collected during the period September 1 to October 31.

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

G. Restricted Resources

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

H. 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 districtwide 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 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 V for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

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

J. Receivables

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.

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the 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 districtwide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. Under 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.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

L. Other Assets/Restricted Assets

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

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

In the districtwide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 5,000	15-50
Furniture and Equipment	\$ 5,000	5-15
Vehicles	\$ 5,000	8

N. Compensated Absences

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

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

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.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide 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 resources. These amounts are expensed on a pay-as-you-go basis.

O. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the districtwide 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 funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

P. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category, both of which relate to pensions. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the districtwide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item is related to OPEB reported in the districtwide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

R. Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

S. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

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

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

T. **Short-Term Debt**

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

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

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

U. **Equity Classifications**

1. **Districtwide Statements**

In the districtwide statements there are three classes of net position:

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

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

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

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements**

In the fund basis statements, there are five classifications of fund balance:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$11,207.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

1. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

2. **Unemployment Insurance**

This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Employee Benefit Accrued Liability

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. Capital

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

5. Employee Retirement Contributions

This reserve is used for future employee's retirement obligations. 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.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements (Continued)**

6. **Insurance**

This reserve is 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). This reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

7. **Property Loss**

This reserve is used to accumulate funds to pay property loss claims incurred. The total amount accumulated in the reserve may not exceed 3% of the total annual budget. This reserve is accounted for in the General Fund.

8. **Workers' Compensation**

This reserve is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 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. The reserve is accounted for in the General Fund.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$ 31,450
Unemployment Insurance	180,233
Employee Retirement Contributions	1,045,483
Capital	1,600,000
Insurance	733,000
Workers' Compensation	75,000
Property Loss	62,159
Capital Fund	1,098,942
Debt Service Fund	467,256
Total restricted funds	<u>\$ 5,293,523</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2018.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$99,470 and the assigned fund balance amounted to \$731,034.

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

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

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

Order of Use of Fund Balance:

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

V. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standard issued by GASB:

GASB has issued Statement 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, effective for the year ending June 30, 2018.

W. Future Changes in Accounting Standards

GASB Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2019.

The school district will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements

Due to differences in the measurement focus and basis of accounting used in the governmental fund statements and the districtwide 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.

1. 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 primarily 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.

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

a. Long-term revenue differences:

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

b. Capital related differences:

Capital related differences include the difference between proceeds for 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.

c. 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.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

d. Pension differences:

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

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually of their useful lives.

Original cost of capital assets	\$36,459,590
Accumulated depreciation	<u>7,081,715</u>
Capital assets, net	<u>\$29,377,875</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	<u>\$15,454,900</u>
OPEB obligations	<u>\$23,633,436</u>
Compensated Absences	<u>\$ 31,450</u>
Net Pension Liability-Proportionate Share	<u>\$ 182,891</u>

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$646,357 was less than capital expenditures of \$9,843,291 in the current year.

Repayment of bond principal of \$522,670 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities increased by \$285,677.

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement #75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note X. for the financial statement impact of the implementation of the statement.

IV. Cash and Investments

A. Deposits

The Duanesburg Central School District's investment policies are governed by State statutes. The Duanesburg Central School District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit 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 school districts.

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Cash and Investments (Continued)

A. Deposits (Continued)

- A. Uncollateralized
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

The District did not have any investments at year end or during the year.

V. Interfund Transaction

Interfund balances at June 30, 2018 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 184,570	\$ -	\$ -	\$ 50,912
Special Aid Fund	-	184,570	25,912	-
School Lunch Fund	-	-	25,000	-
Total governmental activities	<u>\$ 184,570</u>	<u>\$ 184,570</u>	<u>\$ 50,912</u>	<u>\$ 50,912</u>

The District typically transfers from the General Fund to the Special Aid Fund to pay its' share of the Summer Handicapped Program.

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Capital Assets

A summary of changes in general fixed assets follows:

	Restated Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
<u>Capital assets-not depreciated:</u>				
Land	\$ 9,000	\$ -	\$ -	9,000
Construction in progress	8,650,221	9,195,023	-	17,845,244
Total capital assets-not depreciated:	8,659,221	9,195,023	-	17,854,244
<u>Other capital assets:</u>				
Buildings and improvements	14,200,536	102,072	-	14,302,608
Machinery and equipment	1,460,264	306,295	8,444	1,758,115
Vehicles	2,503,417	239,900	198,695	2,544,622
Total other capital assets:	18,164,217	648,267	207,139	18,605,345
<u>Less accumulated depreciation:</u>				
Buildings and improvements	4,160,488	276,297	-	4,436,785
Machinery and equipment	989,340	107,435	8,444	1,088,331
Vehicles	1,481,859	262,625	187,885	1,556,599
Total accumulated depreciation	6,631,687	646,357	196,329	7,081,715
Other capital assets, net	11,532,530	1,910	10,810	11,523,630
Total	\$20,191,751	\$ 9,196,933	\$ 10,810	\$29,377,874

Depreciation expense for the period was shown as unallocated in the Statement of Activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans**1. General Information**

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

2. Plan Descriptions and Benefits Provided**Teachers' Retirement System (TRS)**

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

Employees' Retirement System (ERS)

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

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

Funding Policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 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 VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Contributions

	ERS	TRS
2018	\$245,073	\$580,241
2017	\$226,756	\$700,434
2016	\$252,967	\$900,226

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

At June 30, 2018, the District reported the following (asset)/liability for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension (asset)/liability was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The District's proportion of the net pension (asset)/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Actuarial valuation date	31-Mar-18	30-Jun-17
Net pension liability/(asset)	\$182,891	(\$226,489)
District's portion of the Plan's total net pension liability	0.005667%	.029797%
Change in proportion since the prior measurement date	0.000068%	.002822%

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

For the year ended June 30, 2018, the District's recognized pension expense of \$231,376 for ERS and \$596,485 for TRS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$65,231	\$186,344	\$53,905	\$88,306
Changes of assumptions	121,272	2,304,571	0	0
Net difference between projected and actual earnings on pension plan investments	265,635	0	524,336	533,447
Changes in proportion and differences between the District's contributions and proportionate share of contributions	30,251	186,481	6,975	32,610
District's contributions subsequent to the measurement date	65,101	492,436	0	0
Total	<u>\$547,490</u>	<u>\$3,169,832</u>	<u>\$585,216</u>	<u>\$654,363</u>

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

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2018	\$ -	\$ 79,476
2019	\$49,421	\$ 636,783
2020	\$33,305	\$ 463,389
2021	(\$129,012)	\$ 135,382
2022	(\$56,541)	\$ 462,119
Thereafter	\$0	\$ 245,885

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	3.80%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

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

Measurement date	<u>ERS</u> March 31, 2018	<u>TRS</u> June 30, 2017
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equities	36%	35%
International Equities	14%	18%
Private Equity	10%	8%
Real Estate	10%	11%
Domestic fixed income securities	0%	16%
Global fixed income securities	0%	2%
Bonds and Mortgages	17%	8%
Short-term	0%	1%
Absolute return strategies	2%	0%
Opportunistic portfolio	3%	0%
Real Assets	3%	0%
Cash Equivalents	1%	0%
Inflation-Indexed bonds	4%	0%
High yield fixed income securities	0%	1%

5. Discount Rate

The discount rate used to calculate the total pension liability was 7.0 % for ERS and 7.25 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

6. Sensitivity of the Proportionate Share of Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 6.25% for TRS) or 1-percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate :

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension (asset) liability	\$1,383,802	\$182,891	(\$833,032)
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share Of the net pension (asset) liability	\$3,901,737	(\$226,489)	(\$3,683,673)

7. Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261,032
Plan Fiduciary Net Position	180,173,145	115,468,360,316
Employers' net pension liability (asset)	3,227,445	(760,099,284)
Ratio of plan fiduciary net position to the Employers' total pension (asset)/liability	98.2400%	100.6600%

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$65,101.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$545,917.

VIII. Short-Term Debt Obligations

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

		Interest	Balance			Balance
	Maturity	Rate	<u>7/1/2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>6/30/18</u>
BAN	2018	1.50%	\$11,000,000	\$ -	\$11,000,000	\$ -
BAN	2018	2.25%	<u>-</u>	<u>13,621,244</u>	<u>-</u>	<u>13,621,244</u>
			<u>\$11,000,000</u>	<u>\$13,621,244</u>	<u>\$11,000,000</u>	<u>\$13,621,244</u>

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

Interest paid	\$165,000
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>289,449</u>
Total expense	<u>\$454,449</u>

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$96,333
Less interest accrued in the prior year	(40,212)
Plus interest accrued in the current year	<u>36,440</u>
Total expense	<u><u>\$92,561</u></u>

2. Changes

	Restated Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
Serial Bonds	\$ 3,837,670	\$ 12,139,900	\$ 522,670	\$ 15,454,900	<u>\$ 579,900</u>
Compensated					
Absences	47,909	-	16,459	31,450	
OPEB Obligations	23,902,227	-	268,791	23,633,436	
Net Pension Liability-					
Proportionate Share	875,431	-	692,540	182,891	
Totals	<u>\$ 28,663,237</u>	<u>\$ 12,139,900</u>	<u>\$ 1,500,460</u>	<u>\$ 39,302,677</u>	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Long-Term Debt Obligations (Continued)

3. Maturity

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2018
Serial Bonds:				
Advanced refunding	2012	2025	2-4%	\$ 2,520,000
Construction	2014	2028	3.5-5.25%	440,000
Construction	2018	2033	5.00%	11,900,000
Buses	2014	2018	3.50%	40,000
Buses	2014	2019	3.50%	45,000
Buses	2017	2022	2-2.25%	180,000
Buses	2016	2021	.95-2.35%	90,000
Buses	2018	2023	2.7-3.9%	239,900
Total				<u>\$ 15,454,900</u>

b. The following is a summary of maturing principal debt service requirements:

	Year	Principal	Interest	Total
Serial Bonds:	2019	\$ 579,900	\$ 873,497	\$ 1,453,397
	2020	1,125,000	673,567	1,798,567
	2021	1,160,000	631,892	1,791,892
	2022	1,165,000	588,150	1,753,150
	2023	1,160,000	542,619	1,702,619
	2024 and thereafter	10,265,000	2,738,200	13,003,200
	Total	<u>\$ 15,454,900</u>	<u>\$ 6,047,925</u>	<u>\$ 21,502,825</u>

Prior-Year Defeasance of Debt

In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds and the trust account assets are not included in the financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Postemployment (Health Insurance) Benefits

A. General Information about the OPEB Plan

Plan Description- The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Statement 75.

Benefits Provided- The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms- At June 30, 2018, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	88
Inactive members entitled to but not yet receiving benefit payments	-
Active members	<u>122</u>
Total membership	<u>210</u>

B. Total OPEB Liability

The District's total OPEB liability of \$23,633,436 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs- The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Postemployment (Health Insurance) Benefits (Continued)

B. Total OPEB Liability (Continued)

Inflation	2.20%
Salary Increases	3.20%, average, including inflation
Discount Rate	3.87%
Healthcare Cost Trend Rates	5.50% for 2018, decreasing to an ultimate rate of 3.84% by 2078

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index .

Mortality rates were based on the April 1, 2010-March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$23,902,227</u>
<u>Changes for the Year</u>	
Service cost	633,964
Interest	845,793
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(1,195,111)
Benefit payments	<u>(553,437)</u>
Net Changes	<u>(268,791)</u>
Balance at June 30, 2018	<u>\$23,633,436</u>

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Postemployment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	(2.87%) 1% Decrease	Current Discount Rate 3.87%	(4.87%) 1% Increase
Total OPEB Liability	<u>\$28,975,028</u>	<u>\$23,633,436</u>	<u>\$20,465,836</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 20,179,009</u>	<u>\$ 23,633,436</u>	<u>\$ 29,429,171</u>

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Postemployment (Health Insurance) Benefits (Continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$792,606. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$553,437	\$ -
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	-	(1,023,678)
Total	<u>\$553,437</u>	<u>(\$1,023,678)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	(\$171,433)
2020	(171,433)
2021	(171,433)
2022	(171,433)
2023	(171,433)
Thereafter	(166,513)

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Postemployment (Health Insurance) Benefits (Continued)

E. For the fiscal year ended June 30, 2018, the District implemented GASB Statement #75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*-Amendment to GASB Statement #45. The implementation of Statement #75 resulted in the reporting of Other Post-Employment Benefits (OPEB) liabilities, expenses, deferred outflow of resources and deferred inflows of resources related to OPEB. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$11,073,396
GASB Statement No. 75 implementation	
Beginning System Liability- Total OPEB Liability	(15,123,098)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	591,156
Additional adjustment for capital assets	<u>(25,055)</u>
Net position beginning of year, as restated	<u>(\$ 3,483,601)</u>

XI. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Grants

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

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Other Disclosures

A. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$ 6,654,806
Capital assets (net)	29,377,874
Net pension asset	226,489
Deferred outflows of resources	4,270,759
Bonds payable	(15,454,900)
Accrued interest payable	(325,889)
Net pension liability- proportionate share	(182,891)
Deferred inflows of resources	(2,263,257)
Compensated absences	(31,450)
OPEB obligations	(23,633,436)
Total net position	<u>\$ (1,361,895)</u>

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Other Disclosures (Continued)

B. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net changes in fund balance – total governmental funds	(\$5,721,216)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	9,832,480
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(646,357)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	1,212,670
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2017/18 results in more expense.	(285,677)
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(12,829,900)
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	(116,576)
Employee's Retirement System	9,997
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(792,606)
Compensated absences	<u>16,459</u>
Change in Net Position – Governmental Activities	<u>\$ 2,121,706</u>

DUANESBURG CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budgets

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

Appropriations are adopted at the program line item level.

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

The General Fund budget was increased to reflect the receipt of a grant in the amount of \$100,000, the receipt of donations in the amount of \$9,957 and the sale of surplus equipment in the amount of \$5,143.

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

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

Special Aid Fund and School Lunch Fund have not been included because they do not have legally authorized budgets.

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. Encumbrance accounting is used for budget 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 reservations 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.

XIV. Subsequent Events

There were no significant events to report from July 1, 2018 to October 30, 2018.

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 7,069,783	\$ 7,069,783	\$ 7,060,910	\$ (8,873)
Other tax items	936,317	936,317	944,196	7,879
Charges for services	2,500	2,500	153,148	150,648
Use of money and property	11,000	11,000	9,436	(1,564)
Sale of property and compensation for loss	-	5,143	7,452	2,309
Miscellaneous	195,972	205,929	199,953	(5,976)
Total Local Sources	8,215,572	8,230,672	8,375,095	144,423
State Sources	7,409,675	7,509,675	7,265,998	(243,677)
Federal Sources	20,000	20,000	7,302	(12,698)
Total Revenues	15,645,247	15,760,347	15,648,395	\$ (111,952)
Appropriated Fund Balance	672,253	672,253		
Appropriated Reserves	-	272,519		
Total Revenues, Other Financing Sources, Appropriated Fund Balance and Reserves	\$ 16,317,500	\$ 16,705,119		

See paragraph on required supplementary information included in auditor's report.

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 29,950	\$ 26,507	\$ 20,681	\$ -	\$ 5,826
Central administration	207,370	207,845	202,443	-	5,402
Finance	290,138	288,723	250,443	14	38,266
Staff	156,400	169,800	149,609	-	20,191
Central services	1,075,861	1,351,622	1,231,459	29,514	90,649
Special items	147,800	141,843	123,972	-	17,871
Total General Support	1,907,519	2,186,340	1,978,607	29,528	178,205
Instruction					
Instruction, administration and improvement	475,079	458,129	430,318	-	27,811
Teaching - regular school	4,041,402	4,324,994	4,045,514	6,942	272,538
Programs for children with handicapping conditions	2,278,303	2,297,253	1,875,886	36,570	384,797
Occupational education	298,581	261,581	260,682	-	899
Instructional media	423,240	468,309	424,089	25,426	18,794
Pupil services	784,834	801,546	707,680	1,004	92,862
Total Instructional	8,301,439	8,611,812	7,744,169	69,942	797,701
Pupil transportation	1,106,637	1,102,788	871,715	-	231,073
Employee benefits	3,530,267	3,278,725	2,916,209	-	362,516
Debt service					
Principal	1,165,000	1,212,670	1,212,670	-	-
Interest	256,638	261,417	261,333	-	84
Total Expenditures	16,267,500	16,653,752	14,984,703	99,470	1,569,579
OTHER FINANCING USES					
Operating transfers out	50,000	51,367	50,912	-	455
Total Expenditures and Other Financing Uses	\$ 16,317,500	\$ 16,705,119	15,035,615	\$ 99,470	\$ 1,570,034
Net change in fund balance			612,780		
Fund balance- Beginning			4,631,049		
Fund balance- Ending			<u>\$ 5,243,829</u>		

See paragraph on required supplementary information included in auditor's report.

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
For Year Ended June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service Cost at end of year	\$ 633,964
Interest	845,793
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(1,195,111)
Benefit payments	<u>(553,437)</u>
Net change in Total OPEB Liability	(268,791)
Total OPEB Liability- beginning	<u>23,902,227</u>
Total OPEB Liability- ending	<u><u>\$ 23,633,436</u></u>
Covered-employee payroll	5,852,661
Total OPEB Liability as a percentage of covered-employee payroll	406.59%

See paragraph on required supplementary information included in auditor's report

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2018

Teachers' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension (asset)/liability	.029797%	.032619%	.0329%
District's proportionate share of the net pension (asset)/liability	\$ (226,489)	\$ 349,368	\$ (3,417,304)
District's covered-employee payroll	\$ 5,024,853	\$ 4,829,091	\$ 5,058,695
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	4.50%	7.20%	67.60%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%

Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension liability	.0056667%	.0055987%	.0058569%
District's proportionate share of the net pension liability	\$ 182,891	\$ 526,063	\$ 940,056
District's covered-employee payroll	\$ 1,671,451	\$ 1,695,680	\$ 1,379,339
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.94%	31.00%	68.20%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%

See paragraph on required supplementary information included in auditor's report.

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2018

Teachers' Retirement System

	2018	2017	2016
Contractually required contribution	\$ 492,436	\$ 597,785	\$ 866,348
Contributions in relation to the contractually required contribution	<u>492,436</u>	<u>597,785</u>	<u>866,348</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 5,024,853</u>	<u>\$ 4,829,091</u>	<u>\$ 5,058,695</u>
Contributions as a percentage of covered employee payroll	9.8%	12.4%	17.1%

Employees' Retirement System

	2018	2017	2016
Contractually required contribution	\$ 245,073	\$ 226,756	\$ 252,967
Contributions in relation to the contractually required contribution	<u>245,073</u>	<u>226,756</u>	<u>252,967</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 1,671,451</u>	<u>\$ 1,695,680</u>	<u>\$ 1,379,339</u>
Contributions as a percentage of covered employee payroll	14.7%	13.4%	18.3%

See paragraph on required supplementary information included in auditor's report.

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
THE REAL PROPERTY TAX LIMIT
For Year Ended June 30, 2018

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		\$ 16,317,500
Additions:		
Prior year's encumbrances	\$ 272,519	
Grant-state aid	100,000	
Gifts and donations	9,957	
Sale of surplus equipment	5,143	387,619
	<u>5,143</u>	<u>387,619</u>
Final Budget		<u><u>\$ 16,705,119</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 Voter-approved Expenditure Budget	\$ 17,150,000
Maximum allowed (4% of 2018-2019 Budget)	<u>\$ 686,000</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	830,504
Unassigned fund balance	686,000
Total unrestricted fund balance	<u>\$ 1,516,504</u>

Less:	
Appropriated fund balance	731,034
Encumbrances included in committed and assigned fund balance	99,470
Total adjustments	<u>\$ 830,504</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 686,000</u></u>
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Actual percentage	4.00%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See paragraph on required supplementary information included in auditor's report.

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2018

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Methods of Financing					Fund Balance June 30, 2018
			Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	Local Sources	State Sources	Total	
Smart Schools Bond Act	\$ 661,917	\$ 661,917	\$ 8,521	\$ 100,948	\$ 109,469	\$ 552,448	\$ -	\$ -	\$ 72,346	\$ 72,346	\$ (37,123)
House Purchase	105,000	105,000	-	102,072	102,072	2,928	-	105,000	-	105,000	2,928
Districtwide Renovations	18,875,000	18,794,000	8,641,700	9,094,075	17,735,775	1,058,225	11,900,000	6,771,080	13,420	18,684,500	948,725
Buses-17/18	239,900	239,900	-	239,900	239,900	-	239,900	-	-	239,900	-
	<u>\$19,881,817</u>	<u>\$ 19,800,817</u>	<u>\$ 8,650,221</u>	<u>\$ 9,536,995</u>	<u>\$ 18,187,216</u>	<u>\$ 1,613,601</u>	<u>\$12,139,900</u>	<u>\$ 6,876,080</u>	<u>\$ 85,766</u>	<u>\$ 19,101,746</u>	<u>\$ 914,530</u>

See paragraph on required supplementary information included in auditor's report.

DUANESBURG CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net			\$ 29,377,874
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Deduct:

Bond anticipation notes payable	\$ 13,621,244		
Short-term portion of bonds payable	579,900		
Long-term portion of bonds payable	14,875,000		
less unspent bond anticipation notes proceeds	(1,058,224)		
less unspent bond proceeds	<u>(11,900,000)</u>	<u>16,117,920</u>	

Net investment in capital assets			<u><u>\$ 13,259,954</u></u>
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See paragraph on required supplementary information included in auditor's report.

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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*

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

We have audited, 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, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Duanesburg Central School 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 30, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Raymond G. Preusser, CPA, PC

Claverack, New York
October 30, 2018

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Duanesburg Central School District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Duanesburg Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Duanesburg Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Duanesburg Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 30, 2018 on the financial statements of the Duanesburg Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

Budgeting


We noted that the District only utilized 91% of the General Fund Budget for the third consecutive year.

We recommend that future budgets be closely scrutinized so that potentially unnecessary expenditures are not budgeted.

This communication is intended solely for the information and use of the Board of Education, management, the audit committee, the New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.


Scott R. Preusser

DUANESBURG CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND-CASH BASIS
Year Ended June 30, 2018

DUANESBURG CENTRAL SCHOOL DISTRICT
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Year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Extraclassroom Activity Funds of the Duanesburg Central School District as of June 30, 2018, which comprise the Statement of Assets and Fund Balance-Cash Basis and the related Statement of Cash Receipts and Disbursements-Cash Basis for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and fund balance of the Extraclassroom Activity Funds of the Duanesburg Central School District as of June 30, 2018, and its receipts and disbursements for the year then ended, in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Raymond G. Preusser, CPA, PC

Claverack, New York
September 12, 2018

DUANESBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF ASSETS AND FUND BALANCE-CASH BASIS
June 30, 2018

ASSETS

Cash	<u>\$ 44,377.38</u>
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FUND BALANCE

Fund Balance	<u>\$ 44,377.38</u>
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See auditor's report. See note to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-CASH BASIS
Year ended June 30, 2018

Activities Per General Ledger	Balances 7/1/2017	Receipts	Disburse- ments	Balances 6/30/2018
Class of 2017	\$ 1,282.81	\$ -	\$ 1,282.81	\$ -
Class of 2018	8,974.49	17,541.08	26,013.91	501.66
Class of 2019	7,669.60	7,033.26	8,106.77	6,596.09
Class of 2020	6,539.87	619.10	216.46	6,942.51
Class of 2021	2,383.86	2,694.50	1,109.02	3,969.34
Class of 2022	890.37	1,498.00	957.01	1,431.36
Class of 2023	-	4,027.00	3,941.71	85.29
Drama Club	3,253.39	5,023.12	4,331.25	3,945.26
Yearbook 2018	-	17,243.84	8,425.80	8,818.04
FBLA	-	4,410.75	4,054.11	356.64
HS Student Council	11,723.91	682.26	1,663.66	10,742.51
Yearbook	14,629.18	475.00	15,104.18	-
School Store-HS	1,152.66	124.47	288.45	988.68
Totals	<u>\$ 58,500.14</u>	<u>\$ 61,372.38</u>	<u>\$ 75,495.14</u>	<u>\$ 44,377.38</u>

See auditor's report. See note to financial statements.

DUANESBURG CENTRAL SCHOOL DISTRICT
NOTE TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

The Extraclassroom Activity Fund of the District represents funds of the students of the district. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Fund is independent of the district with respect to its financial transactions, and the designation of student management. Separate financial statements are issued for the fund. The District also reports the fund in its financial statements, within the Fiduciary Fund.

The books and records of the Duanesburg Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets are increased when cash is received and decreased when cash is disbursed.

See auditor's report.

DUANESBURG CENTRAL SCHOOL DISTRICT
AUDITOR'S FINDINGS AND EVALUATION

Cash Receipts:

We found that generally, the internal accounting controls with regards to cash receipts were adequate to maintain proper accountability beyond the point of initial recording of the cash receipts.

During our audit, we noted a few instances where receipts were not deposited within three days of receipt.

We recommend that all cash receipts be deposited within the required three days.

Class of 2018:

We noted that funds remained for the Class of 2018 at June 30, 2018. Class funds should be totally disbursed for a graduating class by year end.

We recommend that these funds be disbursed by the Class as soon as possible.

See auditor's report.