

CAIRO-DURHAM
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

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RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cairo-Durham Central School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Cairo-Durham Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Cairo-Durham 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 Cairo-Durham Central School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 schedules of funding progress of other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M11 and 47-51 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 Cairo-Durham 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 August 29, 2017 on our consideration of the Cairo-Durham 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 Cairo-Durham Central School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Raymond A. Heussen CPA". The signature is written in black ink and is positioned above the typed name and date.

Claverack, New York
August 29, 2017

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2017

INTRODUCTION

The Cairo-Durham 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, 2017. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

During the 2016-2017 fiscal year, the following items should be considered as financial highlights of the Cairo-Durham Central School District.

- The District experienced a change in Net Position from \$16,786,720 (restated) in 2015-2016 to \$15,032,605 in 2016-2017. This change is attributed to an overall decrease in total assets compared to the decrease in total liabilities. The net affect was the overall decrease in total net position of \$1,754,115.
- As of the close of the fiscal year 2017, the District's governmental funds reported combined fund balances of \$9,692,660, an increase of \$1,780,458 in comparison with the prior year.

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. Districtwide 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



Notes to the Basic Financial Statements

Required Supplemental Information (Part B)

General Fund Budget to Actual Schedule

Funding Progress of OPEB

District's Proportionate Share of 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 Districtwide Financial Statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net assets 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

Cairo-Durham Central School District's Net Position June 30, 2017 and 2016

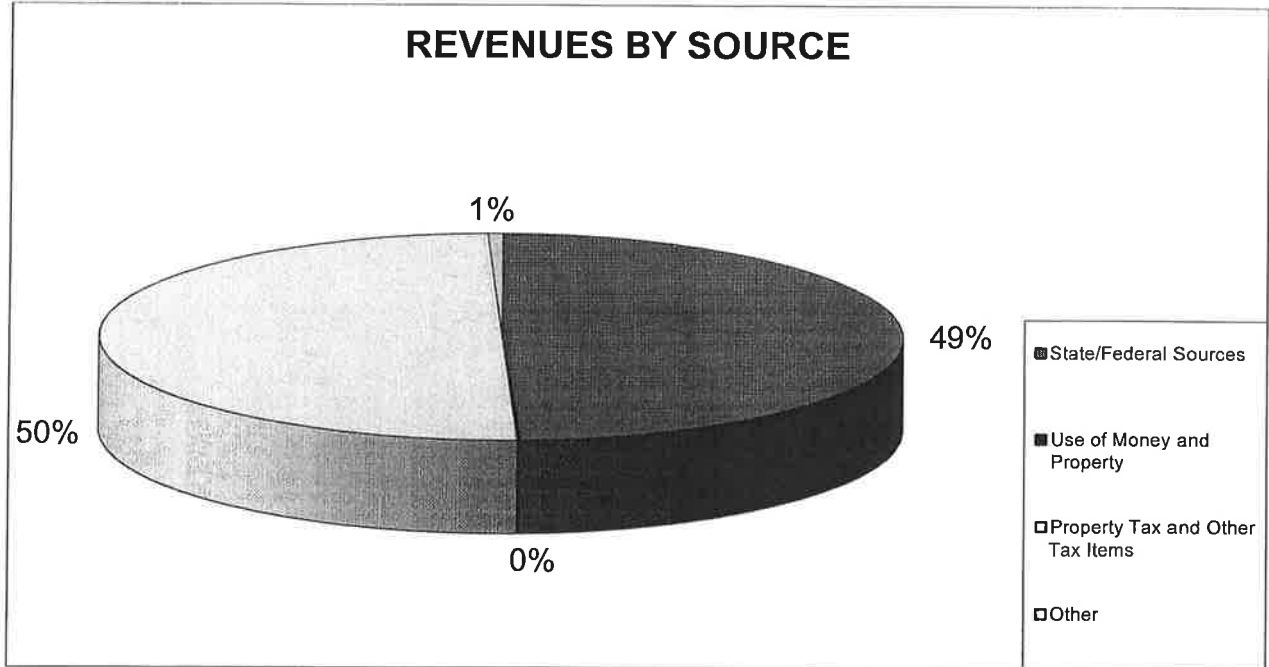
	Governmental Activities		Variance Increase (Decrease)
	2017	Restated 2016	
Current Assets	\$ 11,507,032	\$ 12,836,373	\$ (1,329,341)
Capital Assets	27,916,448	26,611,705	1,304,743
Net Pension Asset	-	6,782,742	(6,782,742)
Total Assets	<u>39,423,480</u>	<u>46,230,820</u>	<u>(6,807,340)</u>
Deferred Outflows of Resources	7,614,571	3,199,069	4,415,502
Total Assets and Outflows of Resources	<u>47,038,051</u>	<u>49,429,889</u>	<u>(2,391,838)</u>
Current Liabilities	1,823,958	5,719,034	(3,895,076)
Noncurrent Liabilities	28,086,120	22,619,770	5,466,350
Net Pension Liability	1,608,687	1,711,518	(102,831)
Total Liabilities	<u>31,518,765</u>	<u>30,050,322</u>	<u>1,468,443</u>
Deferred Inflows of Resources	486,681	2,592,847	(2,106,166)
Total Liabilities and Inflows of Resources	<u>32,005,446</u>	<u>32,643,169</u>	<u>(637,723)</u>
Net Position:			
Investment in capital assets, net of related debt	19,268,516	16,735,944	2,532,572
Restricted	4,957,667	4,231,193	726,474
Unrestricted (deficit)	(9,193,578)	(4,180,417)	(5,013,161)
Total Net Position	<u>\$ 15,032,605</u>	<u>\$ 16,786,720</u>	<u>\$ (1,754,115)</u>

**Cairo-Durham Central School District's
Changes in Net Position
For the Years Ended June 30, 2017 and 2016**

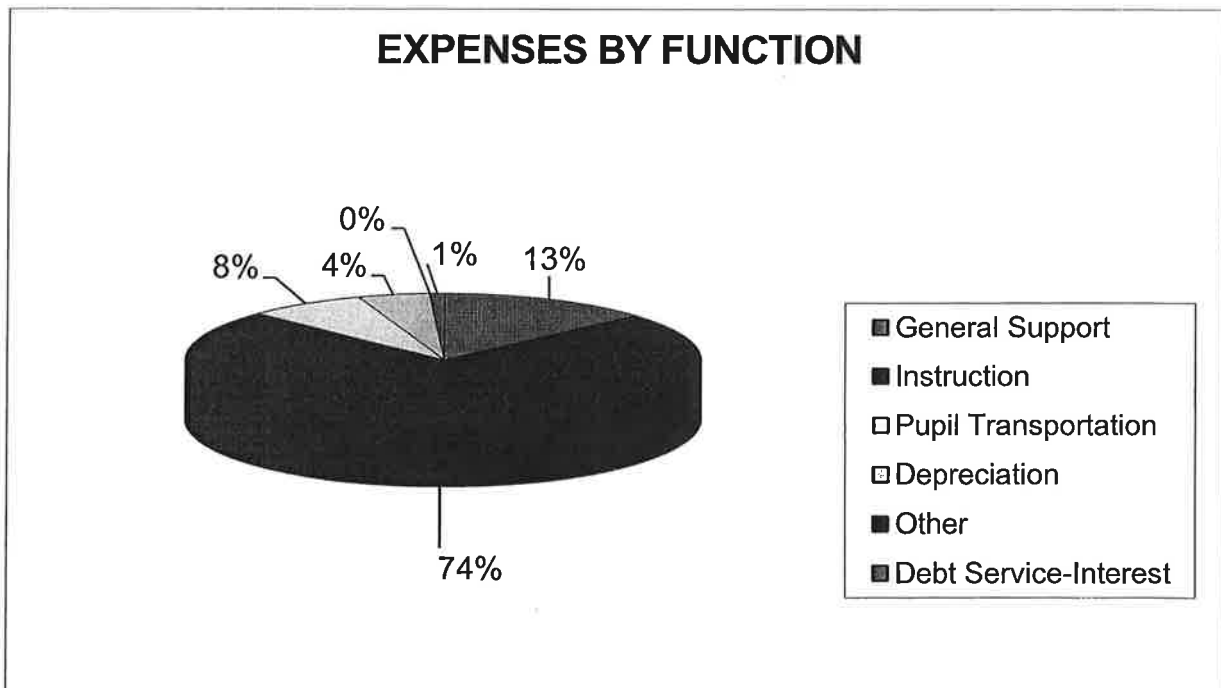
	<u>Governmental Activities</u>		Variance Increase (Decrease)
	<u>2017</u>	<u>2016</u>	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 249,232	\$ 302,301	\$ (53,069)
Operating Grants and Contributions	<u>1,937,273</u>	<u>1,733,742</u>	<u>203,531</u>
Total Program Revenues	<u>\$ 2,186,505</u>	<u>\$ 2,036,043</u>	<u>\$ 150,462</u>
General Revenues:			
Real Property Taxes	\$ 11,940,426	\$ 11,758,802	\$ 181,624
Other Tax Items	1,561,959	1,587,028	(25,069)
Use of Money and Property	38,696	30,492	8,204
Sale of Property and Compensation for Loss	4,024	862	3,162
Miscellaneous	140,741	281,024	(140,283)
State Sources	13,191,936	13,492,030	(300,094)
Federal Sources	103,291	116,597	(13,306)
Premium on Obligations	17,274	25,205	(7,931)
Total General Revenues	<u>26,998,347</u>	<u>27,292,040</u>	<u>(293,693)</u>
<u>Expenses (Net of Program Revenues):</u>			
Instruction	21,263,295	18,846,679	2,416,616
Support Services:			
General Support	3,812,565	3,376,467	436,098
Pupil Transportation	2,144,403	2,185,640	(41,237)
Debt Service-Interest	254,467	235,096	19,371
Depreciation-Unallocated	1,268,548	1,209,604	58,944
School Lunch	9,184	(6,053)	15,237
Total Expenses	<u>28,752,462</u>	<u>25,847,433</u>	<u>2,905,029</u>
Change in Net Position	<u>\$ (1,754,115)</u>	<u>\$ 1,444,607</u>	<u>\$ (3,198,722)</u>

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

Districtwide Revenues by Source
For the Year Ended June 30, 2017



Districtwide Expenses by Function
For the Year Ended June 30, 2017



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 \$9.7 million, which is an increase from last year's total of \$7.9 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2017 and 2016.

	<u>Fund Balance</u> <u>2017</u>	<u>Fund Balance</u> <u>2016</u>	<u>Variance</u> <u>Increase</u> <u>(Decrease)</u>
General	\$ 8,526,545	\$ 8,066,178	\$ 460,367
School Lunch	369,310	377,871	(8,561)
Special Aid	28,078	29,607	(1,529)
Debt Service	81,032	59,560	21,472
Capital	687,695	(621,014)	1,308,709
Totals	<u>\$ 9,692,660</u>	<u>\$ 7,912,202</u>	<u>\$ 1,780,458</u>

General Fund

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

<u>Revenues:</u>	<u>2017</u>	<u>2016</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 13,502,385	\$ 13,345,830	\$ 156,555
Use of Money and Property	33,875	29,311	4,564
State/Federal Sources	13,295,227	13,608,627	(313,400)
Other	352,550	440,870	(88,320)
Totals	<u>\$ 27,184,037</u>	<u>\$ 27,424,638</u>	<u>\$ (240,601)</u>

<u>Expenses:</u>	<u>2017</u>	<u>2016</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 2,952,769	\$ 2,703,043	\$ 249,726
Instruction	14,411,939	13,951,069	460,870
Pupil Transportation	1,587,067	1,566,358	20,709
Employee Benefits	6,011,498	5,903,645	107,853
Debt Service	1,314,966	1,993,203	(678,237)
Other	445,431	168,924	276,507
Totals	<u>\$ 26,723,670</u>	<u>\$ 26,286,242</u>	<u>\$ 437,428</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 \$560,400. This amount represents the carryover of outstanding purchase orders (encumbrances) from the 2015-2016 fiscal year for \$360,200, appropriated fund balance of \$200,200.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2017 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 181,422
Construction in Progress	2,733,957
Buildings and Improvements	23,258,941
Machinery and Equipment	274,875
Vehicles	<u>1,467,253</u>
Total	<u>\$27,916,448</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$1,304,743. The increase to capital assets was attributable to the purchase of equipment and vehicles and expenditures from the capital project less depreciation expense.

DEBT

The District has total debt, including serial bonds, compensated absences and the OPEB obligation, in the amount of \$29,694,807 as of June 30, 2017, an increase over the previous year of \$3,180,087. The debt outstanding for the year ended June 30, 2017 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$ 9,255,000
OPEB Obligation	18,662,114
Compensated Absences	169,006
Net Pension Liability-Proportionate Share	<u>1,608,687</u>
Total	<u>\$ 29,694,807</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, 2017 the District's general obligation debt was significantly under its total debt limit. The District has a bond rating of A1.

FACTORS BEARING ON THE DISTRICT'S FUTURE

In June of 2011, the New York State Legislature passed a Property Tax Cap Law, which began with the 2012-2013 school year budget. This law will be in effect for the foreseeable future. The legislation provides a calculation for a tax levy limit, which caps the amount of revenues the District can raise through the levy of taxes. In the circumstance of a defeat of an original budget with a tax levy increase calculated in accordance with the legislation and a resubmitted/revised budget defeat, the Board of Education is mandated by this legislation to adopt a budget that levies a tax no greater than that of the prior year; a zero percent tax levy increase. This would prove to be a serious strain on the ability of the District to meet its obligations and has the potential to diminish the District's fund balance. The legislation also poses a serious public relations challenge to the District due to the public perception of the law; it was publicized as a "2% property tax cap" and many members of the public may interpret this as a law which caps their individual tax bills at 2%, so it is up to the District to compact the misconceptions of the law.

The District currently has a Payment in Lieu of Taxes (PILOT) agreement with Stiefel Laboratories, Inc., a GlaxoSmithKline company. In the 2010-2011 school year, the Greene County Industrial Development Agency restructured the agreement. The new agreement froze payments for the properties under the existing PILOT agreement at the 2010-2011 level and is in effect through the 2020-2021 school year. In addition, the taxable properties that Stiefel Laboratories, Inc. has on the District's tax rolls were enveloped into the restructured PILOT agreement and were frozen at the 2010-2011 tax amounts. Due to the restructuring of the PILOT agreement, the District will lose approximately \$1.4 million in revenue over ten years.

The District is expected to complete its \$3,310,000 Capital Project and \$200,000 Security Camera Project in September 2017. As this work is completed, the District only expects to have annual \$100,000 Capital Outlay Projects until summer 2020. The District expects to have a significant decrease in debt payments associated with past Capital Projects in fiscal year 2021-2022. The District is now planning for a large capital project beginning in summer 2020. A Building Condition Survey performed by the District's architects during the 2015-16 school year indicated much work to be performed on the Buildings and Grounds of the District's campuses. The District will prioritize items of health and safety first. The Board of Education has formed a Facilities Committee, which meets regularly to properly plan the upcoming project. A December 2018 public vote is expected for the project.

Although the District has experienced steady enrollment in the last few years, it appears that the enrollment may slightly decline in the next few years. Overall, enrollment in the District has been declining over the last decade, which is a potential burden for the District regarding state aid in the future. There are various state aid formulas which are driven by enrollment, and due to the decline, the District could face decreasing state aid revenues. Although a further decline in enrollment is possible, studies indicate that enrollment should level off at around 1,150 – 1,200 students for the next five school years.

The District began implementing the Community Eligibility Program (CEP) through the NYS Education Department Child Nutrition Program during the 2016-2017 school year. This enables the District to provide, at no cost, a breakfast and a lunch to each student Districtwide. The CEP Program is driven by our Direct Certification eligibility percentages and is a fiscally prudent option for our School Lunch Program in light of the past outstanding and uncollectable negative student lunch accounts. The Program proved to be a success for the 2016-2017 school year and the District has continued the program for the 2017-18 school year.

The Board of Education continues to research its options for the vacant Durham School Building. Although the building remains vacant, the Town of Durham is utilizing the building as a community center with limited, scheduled building usage. This usage began in October 2015. An inter-municipal agreement between the District and the Town of Durham was negotiated to ensure that this usage is at no extra cost to the District.

The District strives to reduce costs while increasing operating efficiency. In the future the District will continue to explore possibilities of shared services with neighboring school districts. The State Education Department has noted that there could potentially be some state aid benefit in the future for shared service agreements. In order to save money for electricity, the District has entered into a consolidated energy service contract through a third party with neighboring school districts. This has resulted in lower electric bills as well as a more stable and predictable amount for billing and budgeting purposes. This three-year contract provides an opportunity to realize some tangible savings for energy costs in future years. The District has also entered into a one-year Gasoline, Heating and Diesel Fuel contract through DCMO BOCES, which has locked the District into a low price for fuel sources. The District participates in the DCMO BOCES Cooperative Bidding Coser and plans to utilize this cooperative bidding process in the future when purchasing equipment, supplies & materials and services that the District requires for its ongoing operations.

In recent years, sweeping health care legislation has given rise to much uncertainty surrounding the implementation of recent federal and state laws regarding health insurance. This legislation has made it very difficult to predict the future cost of health insurance for the District. To complicate matters further, there is much debate in Washington to reverse this new legislation. District management will continue to work closely with the Rensselaer-Columbia-Greene Health Insurance Consortium, legal counsel, and insurance providers to insure proper adherence to new rules and regulations.

With the onset of the 2017-2018 budget development process, school districts will be forced to review existing educational program offerings and all services offered to determine if there are operational efficiencies that can be implemented. The District is in the process of updating the long range financial plan to ensure that fund balance management is followed.

In conclusion, the Cairo-Durham Central School District has committed itself to financial planning and fiscal accountability. The District will continue to follow the long range financial plan and the funding of reserves to prepare for and meet the challenges of the future.

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:

Cairo-Durham Central School District
PO Box 780
420 Main Street
Cairo, New York 12413

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION

June 30, 2017

ASSETS		
Unrestricted cash	\$ 5,824,562	
Restricted cash	4,250,139	
Other receivables, net	118,834	
State and federal aid receivable	812,984	
Due from other governments	471,257	
Due from fiduciary funds	47	
Inventories	29,209	
Capital assets, net	<u>27,916,448</u>	
Total Assets		<u>\$ 39,423,480</u>
DEFERRED OUTFLOW OF RESOURCES		
Pensions	<u>\$ 7,614,571</u>	
Total Deferred Outflows of Resources		<u>\$ 7,614,571</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 102,223	
Accrued liabilities	256,289	
Due to other governments	531	
Due to teachers' retirement system	1,347,220	
Due to employees' retirement system	114,317	
Unearned revenue	<u>3,378</u>	
Long-Term Liabilities:		
Due and payable within one year		
Bonds payable	<u>1,245,000</u>	
Due and payable after one year		
Bonds payable	8,010,000	
Compensated absences payable	169,006	
Other postemployment benefits payable	18,662,114	
Net pension liability - proportionate share	<u>1,608,687</u>	
Total Liabilities		<u>\$ 31,518,765</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>486,681</u>	
Total Deferred Inflows of Resources		<u>\$ 486,681</u>
NET POSITION		
Net Investment in Capital Assets	19,268,516	
Restricted	4,957,667	
Unrestricted (deficit)	<u>(9,193,578)</u>	
Total Net Position		<u>\$ 15,032,605</u>

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2017

			Program Revenues		Net (Expense)
Expenses	Expenses Allocation	Charges for Services	Operating Grants		Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	\$ 2,897,324	\$ 915,241	\$ -	\$ -	\$ (3,812,565)
Instruction	15,856,709	6,905,515	200,278	1,298,651	(21,263,295)
Pupil transportation	1,666,426	572,336	-	94,359	(2,144,403)
Employee benefits	8,393,400	(8,393,400)	-	-	-
Debt service-interest	254,467	-	-	-	(254,467)
Depreciation	1,268,548	-	-	-	(1,268,548)
School lunch program	602,093	308	48,954	544,263	(9,184)
	\$ 30,938,967	\$ -	\$ 249,232	\$ 1,937,273	(28,752,462)
GENERAL REVENUES					
Real property taxes					11,940,426
Other tax items					1,561,959
Use of money and property					38,696
Sale of property and compensation for loss					4,024
Miscellaneous					140,741
State sources					13,191,936
Federal sources					103,291
Premium on obligations					17,274
					26,998,347
Total General Revenues					26,998,347
Change in Net Position					(1,754,115)
Total Net Position - Beginning of year (restated)					16,786,720
Total Net Position - End of year					\$ 15,032,605

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
June 30, 2017

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 5,824,562	\$ -	\$ -	\$ 5,824,562
Restricted cash	4,250,139	-	-	4,250,139
Other receivables, net	118,834	-	-	118,834
State and federal aid receivable	812,984	-	-	812,984
Due from other governments	471,257	-	-	471,257
Due from other funds	488,702	-	(488,702)	-
Due from fiduciary funds	-	-	47	47
Inventories	29,209	-	-	29,209
Capital assets (net)	-	27,916,448	-	27,916,448
	<u>-\$ 11,995,687</u>	<u>\$ 27,916,448</u>	<u>\$ (488,655)</u>	<u>\$ 39,423,480</u>
Total Assets				
DEFERRED OUTFLOW OF RESOURCES				
Pensions	\$ -	\$ 7,614,571	\$ -	\$ 7,614,571
	<u>\$ -</u>	<u>\$ 7,614,571</u>	<u>\$ -</u>	<u>\$ 7,614,571</u>
Total Deferred Outflows of Resources				
LIABILITIES				
Accounts payable	\$ 102,223	\$ -	\$ -	\$ 102,223
Accrued liabilities	246,703	9,586	-	256,289
Bonds payable	-	9,255,000	-	9,255,000
Other postemployment benefits payable	-	18,662,114	-	18,662,114
Compensated absences	-	169,006	-	169,006
Due to other funds	488,655	-	(488,655)	-
Due to other governments	531	-	-	531
Due to teachers' retirement system	1,347,220	-	-	1,347,220
Due to employees' retirement system	114,317	-	-	114,317
Unearned revenue	3,378	-	-	3,378
Net pension liability- proportionate share	-	1,608,687	-	1,608,687
	<u>\$ 2,303,027</u>	<u>\$ 29,704,393</u>	<u>\$ (488,655)</u>	<u>\$ 31,518,765</u>
Total Liabilities				
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 486,681	\$ -	\$ 486,681
	<u>\$ -</u>	<u>\$ 486,681</u>	<u>\$ -</u>	<u>\$ 486,681</u>
Total Deferred Inflows of Resources				
FUND BALANCE/NET POSITION				
Total Fund Balance\Net Position	<u>\$ 9,692,660</u>	<u>\$ 5,339,945</u>	<u>\$ -</u>	<u>\$ 15,032,605</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	<u>\$ 11,995,687</u>	<u>\$ 35,531,019</u>	<u>\$ (488,655)</u>	<u>\$ 47,038,051</u>

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2017

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 11,940,426	\$ -	\$ -	\$ -	\$ 11,940,426
Other tax items	1,561,959	-	-	-	1,561,959
Charges for services	200,278	-	-	-	200,278
Use of money and property	38,696	-	-	-	38,696
Sale of property and compensation for loss	4,024	-	-	-	4,024
Miscellaneous	148,248	(7,507)	-	-	140,741
State sources	13,472,510	-	-	-	13,472,510
Federal sources	1,759,990	-	-	-	1,759,990
Sales - school lunch	48,954	-	-	-	48,954
Total Revenues	29,175,085	(7,507)	-	-	29,167,578
EXPENDITURES\EXPENSES					
General support	2,952,769	-	(55,445)	-	2,897,324
Instruction	15,857,550	7,994	(8,835)	-	15,856,709
Pupil transportation	1,681,426	-	(15,000)	-	1,666,426
Employee benefits	6,011,806	2,381,594	-	-	8,393,400
Debt service-principal	1,062,665	-	-	(1,062,665)	-
-interest	252,301	2,166	-	-	254,467
Cost of sales	602,093	-	-	-	602,093
Depreciation	-	-	1,268,548	-	1,268,548
Capital outlay	2,494,011	-	(2,494,011)	-	-
Total Expenditures	30,914,621	2,391,754	(1,304,743)	(1,062,665)	30,938,967
Excess (Deficiency) of Revenues Over Expenditures	(1,739,536)	(2,399,261)	1,304,743	1,062,665	(1,771,389)
OTHER SOURCES AND USES					
Bond anticipation notes redeemed	200,000	-	-	(200,000)	-
Premium on obligations	17,274	-	-	-	17,274
Proceeds from debt	3,302,720	-	-	(3,302,720)	-
Operating transfers in	445,431	(445,431)	-	-	-
Operating transfers (out)	(445,431)	445,431	-	-	-
Total Other Sources (Uses)	3,519,994	-	-	(3,502,720)	17,274
Net Change for the Year	\$ 1,780,458	\$ (2,399,261)	\$ 1,304,743	\$ (2,440,055)	\$ (1,754,115)

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 4,787,191	\$ 5,218	\$ 344,010	\$ -	\$ 688,143	\$ 5,824,562
Restricted cash	4,169,555	-	-	80,584	-	4,250,139
Other receivables, net	118,834	-	-	-	-	118,834
State and federal aid receivable	299,415	513,569	-	-	-	812,984
Due from other funds	488,254	-	-	448	-	488,702
Due from other governments	471,257	-	-	-	-	471,257
Inventories	-	-	29,209	-	-	29,209
Total Assets	\$ 10,334,506	\$ 518,787	\$ 373,219	\$ 81,032	\$ 688,143	\$ 11,995,687
LIABILITIES						
Accounts payable	\$ 102,223	\$ -	\$ -	\$ -	\$ -	\$ 102,223
Accrued liabilities	244,201	2,502	-	-	-	246,703
Due to other funds	-	488,207	-	-	448	488,655
Due to other governments	-	-	531	-	-	531
Due to teachers' retirement system	1,347,220	-	-	-	-	1,347,220
Due to employees' retirement system	114,317	-	-	-	-	114,317
Unearned revenue	-	-	3,378	-	-	3,378
Total Liabilities	1,807,961	490,709	3,909	-	448	2,303,027
FUND BALANCES						
Non-spendable	-	-	29,209	-	-	29,209
Restricted	4,169,555	28,078	27	81,032	678,975	4,957,667
Assigned	2,540,819	-	340,074	-	8,720	2,889,613
Unassigned	1,816,171	-	-	-	-	1,816,171
Total Fund Balances	8,526,545	28,078	369,310	81,032	687,695	9,692,660
Total Liabilities and Fund Balances	\$ 10,334,506	\$ 518,787	\$ 373,219	\$ 81,032	\$ 688,143	\$ 11,995,687

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL
 FUNDS
 For Year Ended June 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 11,940,426	\$ -	\$ -	\$ -	\$ -	\$ 11,940,426
Other tax items	1,561,959	-	-	-	-	1,561,959
Charges for services	200,278	-	-	-	-	200,278
Use of money and property	33,875	-	623	4,198	-	38,696
Sale of property and compensation for loss	4,024	-	-	-	-	4,024
Miscellaneous	148,248	-	-	-	-	148,248
State sources	13,191,936	266,280	14,294	-	-	13,472,510
Federal sources	103,291	1,126,730	529,969	-	-	1,759,990
Sales	-	-	48,954	-	-	48,954
Total Revenues	27,184,037	1,393,010	593,840	4,198	-	29,175,085
EXPENDITURES						
General support	2,952,769	-	-	-	-	2,952,769
Instruction	14,411,939	1,445,611	-	-	-	15,857,550
Pupil transportation	1,587,067	94,359	-	-	-	1,681,426
Employee benefits	6,011,498	-	308	-	-	6,011,806
Debt service	-	-	-	-	-	-
Principal	1,062,665	-	-	-	-	1,062,665
Interest	252,301	-	-	-	-	252,301
Cost of sales	-	-	602,093	-	-	602,093
Capital outlay	-	-	-	-	2,494,011	2,494,011
Total Expenditures	26,278,239	1,539,970	602,401	-	2,494,011	30,914,621
Excess (Deficiency) of Revenues Over Expenditures	905,798	(146,960)	(8,561)	4,198	(2,494,011)	(1,739,536)
OTHER SOURCES AND USES						
Bond anticipation notes redeemed	-	-	-	-	200,000	200,000
Premium on obligations	-	-	-	17,274	-	17,274
Proceeds from debt	-	-	-	-	3,302,720	3,302,720
Operating transfers in	-	145,431	-	-	300,000	445,431
Operating transfers (out)	(445,431)	-	-	-	-	(445,431)
Total Other Sources (Uses)	(445,431)	145,431	-	17,274	3,802,720	3,519,994
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	460,367	(1,529)	(8,561)	21,472	1,308,709	1,780,458
Fund Balance (Deficit) - Beginning of year	8,066,178	29,607	377,871	59,560	(621,014)	7,912,202
Fund Balance - End of year	\$ 8,526,545	\$ 28,078	\$ 369,310	\$ 81,032	\$ 687,695	\$ 9,692,660

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2017

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 40,998	\$ 144,471
Total Assets	\$ 40,998	\$ 144,471
LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 57,688
Due to governmental funds	-	47
Other liabilities	-	86,736
Total Liabilities	-	\$ 144,471
NET POSITION		
Reserved for scholarships	\$ 40,998	

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Year Ended June 30, 2017

	<u>Private Purpose Trusts</u>
ADDITIONS	
Interest	<u>\$ 21</u>
Total Additions	<u>21</u>
 DEDUCTIONS	
Scholarships and awards	<u>800</u>
Change in Net Position	(779)
Net Position - Beginning of Year	<u>41,777</u>
Net Position - End of Year	<u><u>\$ 40,998</u></u>

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies**

The financial statements of the Cairo-Durham 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 Cairo-Durham 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 9 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 Cairo-Durham 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.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

B. **Joint Venture**

The Cairo-Durham Central School District is one of 22 component school districts in the Rensselaer, Columbia, and Greene 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, 2017, the Cairo-Durham Central School District was billed \$1,996,014 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$805,961. 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,

CAIRO-DURHAM 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.

CAIRO-DURHAM 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.

CAIRO-DURHAM 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.

CAIRO-DURHAM 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 31. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the Counties of Greene, Albany and Schoharie. 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 IV for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

CAIRO-DURHAM 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 district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. 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.

CAIRO-DURHAM 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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 1,000	15-50
Furniture and Equipment	\$ 1,000	5-25
Vehicles	\$ 5,000	8-10

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.

CAIRO-DURHAM 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 two 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) subsequent to the measurement date.

CAIRO-DURHAM 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 one item that qualifies for reporting in this category. The 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.

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.

CAIRO-DURHAM 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 notes 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.

CAIRO-DURHAM 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 \$29,209.

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.

CAIRO-DURHAM 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. **Tax Certiorari**

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. 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.

6. **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.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

U. **Equity Classifications (Continued)**

2. **Fund Statements (Continued)**

7. **Insurance**

The School District is insured through a cooperative self-insurance plan for workers' compensation, unemployment insurance, liability, casualty, and other types of losses for which the following types of insurance may not be purchased: workers' compensation, unemployment, life, annuities, accident and health, fidelity and surety, credit, title and residual value. The reserve is funded annually through budgetary provisions in the General Fund. Such reserve is recorded in the General Fund and, in the opinion of management, is adequate to fund the eventual loss on claims arising prior to year end.

8. **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.

CAIRO-DURHAM 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	\$ 169,006
Unemployment Insurance	407,256
Employee Retirement Contributions	2,479,942
Tax Certiorari	47,162
Workers' Compensation	303,829
Capital	500,000
Insurance	262,360
Capital Fund	678,975
Debt Service Fund	81,032
Special Aid Fund	28,078
School Lunch Fund	27
Total restricted funds	<u>\$ 4,957,667</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, 2017.

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 \$540,819 and the assigned fund balance amounted to \$2,000,000.

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.

CAIRO-DURHAM 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, 2017, the District implemented the following new standard issued by GASB:

GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued Statement 82, *Pension Issues*, effective for June 30, 2017.

W. **Future Changes in Accounting Standards**

GASB has issued Statement 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. For Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, established new accounting and financial reporting requirements for OPEB plans.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

W. **Future Changes in Accounting Standards (Continued)**

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

The school district will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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.

CAIRO-DURHAM 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):

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.

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	\$40,842,892
Accumulated depreciation	<u>12,926,444</u>
Capital assets, net	<u>\$27,916,448</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>\$ 9,255,000</u>
OPEB obligations	<u>\$18,662,114</u>
Compensated Absences	<u>\$ 169,006</u>
Net pension liability-proportionate share	<u>\$ 1,608,687</u>

CAIRO-DURHAM 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):

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 \$1,268,548 was less than capital expenditures of \$2,573,291 in the current year.

Repayment of bond principal of \$862,665 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.

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 \$2,166.

III. **Cash and Investments**

A. Deposits

The Cairo-Durham Central School District's investment policies are governed by State statutes. The Cairo-Durham 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:

- 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.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Cash and Investments (Continued)

A. Deposits (Continued)

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.

IV. Interfund Transaction

Interfund balances at June 30, 2017 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 488,254	\$ -	\$ -	\$ 445,431
Special Aid Fund	-	488,207	145,431	-
Capital Fund	-	448	300,000	-
Debt Service Fund	448	-	-	-
Total governmental activities	488,702	488,655	\$ 445,431	\$ 445,431
Fiduciary Agency Fund	-	47		
Totals	\$ 488,702	\$ 488,702		

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Capital Assets

A summary of changes in general fixed assets follows:

	Restated Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
<u>Capital assets-not depreciated:</u>				
Land	\$ 150,610	\$ 30,812	\$ -	\$ 181,422
Construction in progress	910,204	1,823,753		2,733,957
Total capital assets-not depreciated:	<u>1,060,814</u>	<u>1,854,565</u>	<u>-</u>	<u>2,915,379</u>
<u>Other capital assets:</u>				
Buildings and improvements	33,689,048	196,725	-	33,885,773
Machinery and equipment	962,740	36,913	-	999,653
Vehicles	2,982,318	485,088	425,319	3,042,087
Total other capital assets:	<u>37,634,106</u>	<u>718,726</u>	<u>425,319</u>	<u>37,927,513</u>
<u>Less accumulated depreciation:</u>				
Buildings and improvements	9,844,683	782,149	-	10,626,832
Machinery and equipment	685,303	39,475	-	724,778
Vehicles	1,553,229	446,924	425,319	1,574,834
Total accumulated depreciation	<u>12,083,215</u>	<u>1,268,548</u>	<u>425,319</u>	<u>12,926,444</u>
Other capital assets, net	<u>25,550,891</u>	<u>(549,822)</u>	<u>-</u>	<u>25,001,069</u>
Total	<u>\$ 26,611,705</u>	<u>\$ 1,304,743</u>	<u>\$ -</u>	<u>\$ 27,916,448</u>

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. 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.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. 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 6 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

	<u>ERS</u>	<u>TRS</u>
2017	\$434,350	\$1,430,947
2016	\$539,419	\$1,812,172
2015	\$557,161	\$1,618,045

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	31-Mar-17	30-Jun-16
Net pension asset/(liability)	(\$902,892)	(\$705,795)
District's portion of the Plan's total net pension asset/(liability)	.0096091%	.065898%
Change in proportion since the prior measurement date	(.00105%)	.000597%

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

For the year ended June 30, 2017, the District's recognized pension expense (credit) of \$549,866 for ERS and \$1,154,795 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource: Deferred Inflows of Resources</u>			
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$22,626	\$0	\$137,109	\$229,282
Changes of assumptions	308,461	4,020,656	0	0
Net difference between projected and actual earnings on pension plan investments	180,344	1,586,997	0	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	122,793	0	34,327	85,963
District's contributions subsequent to the measurement date	114,317	1,258,377	0	0
Total	\$748,541	\$6,866,030	\$171,436	\$315,245

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2017	\$ -	\$ 478,239
2018	\$203,568	478,239
2019	\$203,568	1,710,745
2020	\$174,501	1,327,277
2021	(\$118,850)	601,876
Thereafter	\$0	696,032

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. 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, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 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, 2005 – June 30, 2010 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, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. 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>	<u>TRS</u>
	March 31, 2017	June 30, 2016
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equity	36%	37%
International Equity	14%	18%
Private Equity	10%	7%
Real Estate	10%	10%
Domestic fixed income securities	0%	17%
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%

5. Discount Rate

The discount rate used to calculate the total pension liability was 7 % for ERS and 7.5 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and 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.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. 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 liability calculated using the discount rate of 7.0% for ERS and 7.5% 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% or ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate :

ERS	1% Decrease <u>(6%)</u>	Current Assumption <u>(7%)</u>	1% Increase <u>(8%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$2,883,659	\$902,892	(\$771,842)
TRS	1% Decrease <u>(6.5%)</u>	Current Assumption <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$9,208,695	\$705,795	(\$6,425,992)

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:

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184,039
Plan Fiduciary Net Position	(168,004,363)	107,506,142,099
Employers' net pension liability	9,396,223	1,071,041,940
Ration of plan fiduciary net position to the Employers' total pension liability	94.7000%	99.0100%

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. 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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$114,317.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$1,347,220.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Short-Term Debt Obligations

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/17</u>
BAN	2017	2.00%	\$3,100,000	\$ -	\$3,100,000	\$ -

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

Interest paid	\$62,000
Less interest accrued in the prior year	-
Plus interest accrued in the current year	-
Total expense	<u>\$62,000</u>

VIII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$190,301
Less interest accrued in the prior year	(7,420)
Plus interest accrued in the current year	<u>9,586</u>
Total expense	<u>\$192,467</u>

2. Changes

	<u>Restated Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>	<u>Due Within One Year</u>
Serial Bonds	\$ 6,814,945	\$ 3,302,720	\$ 862,665	\$ 9,255,000	\$ 1,245,000
Compensated Absences	161,012	7,994	-	169,006	
OPEB Obligations	16,438,763	2,223,351	-	18,662,114	
Net Pension Liability- Proportionate Share	-	1,608,687	-	1,608,687	
Totals	<u>\$ 23,414,720</u>	<u>\$ 7,142,752</u>	<u>\$ 862,665</u>	<u>\$ 29,694,807</u>	

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. 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 6/30/2017
Serial Bonds:				
Buses	2015	2020	1.25-2%	\$ 330,000
Buses	2016	2021	1.54%	375,000
Buses	2014	2019	1.35%	80,000
Construction	2017	2032	2.36%	2,860,000
Construction	2015	2031	2.75-3.5%	625,000
Construction	2011	2027	2.73%	4,305,000
Construction	2013	2028	2.89%	680,000
Total				<u>\$ 9,255,000</u>

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

Serial Bonds:	Year	Principal	Interest	Total
	2018	\$ 1,245,000	\$ 235,651	\$ 1,480,651
	2019	1,310,000	208,718	1,518,718
	2020	1,295,000	179,924	1,474,924
	2021	1,195,000	150,611	1,345,611
	2022	815,000	121,614	936,614
	2023 and thereafter	3,395,000	364,533	3,759,533
Total		<u>\$ 9,255,000</u>	<u>\$ 1,261,051</u>	<u>\$ 10,516,051</u>

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits

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

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the District recognized \$452,590 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2016 which indicates that the total liability for other postemployment benefits is \$18,662,114, which is reflected in the Statement of Net Position.

The District currently pays for postemployment health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to fund and invest assets necessary to pay for the accumulated liability, the District will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

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

Annual required contribution	\$ 2,932,610
Interest on net OPEB obligation	657,396
Adjustment to annual required contribution	(914,065)
Annual OPEB cost (expense)	2,675,941
Contributions made	452,590
Increase in net OPEB obligation	2,223,351
Net OPEB obligation-beginning of year	16,438,763
Net OPEB obligation-end of year	\$ 18,662,114

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$2,624,786	15.1%	\$14,191,985
6/30/2016	\$2,649,240	15.2%	\$16,438,763
6/30/2017	\$2,675,941	16.9%	\$18,662,114

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$32,945,712, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,945,712. The covered payroll (annual payroll of active employees covered by the plan) was \$12,991,141 and the ratio of the UAAL to the covered payroll was 254%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 3% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, decreased by increments to an ultimate rate of 4.5% in the final year. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period, at June 30, 2017, was 21 years.

X. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Cairo-Durham 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. Other Items

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.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Commitments and Contingencies (Continued)

A. Risk Financing and Related Insurance (Continued)

3. Workers' Compensation Insurance

The School District participates in a risk-sharing pool, Rensselaer-Columbia-Greene Workers' Compensation Consortium, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to workers' compensation claims.

4. Health Insurance

The School District participates in the Rensselaer-Columbia-Greene Health Insurance Trust which is a trust formed under New York State Insurance Law on June 30, 1988. The Trust's purpose is to provide health insurance coverage at a lower rate for member educational institutions due to a larger participation pool.

B. Operating Leases

The School District leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2017 was approximately \$52,500. The future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2018	\$ 38,517
2019	38,517
2020	38,517
2021	38,517
2022	28,888
	<u>\$ 182,956</u>

XI. Tax Abatements

The Counties of Albany, Greene and Schoharie, enter into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced \$473,072. The District received payments in Lieu of Tax (PILOT) payment totaling \$317,819.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Other Disclosures

A. Prior Period Adjustment

The reconciliation of restated amounts to the June 30, 2016 year end balance is:

Beginning net position	\$16,703,956
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The following adjustment is necessary to determine the revised Beginning Net Position for the Statement of Activities:

Capital Assets	82,759
Bonds Payable	<u>5</u>

Beginning net position reported on Statement of Activities, for governmental activities, July 1, 2016	<u>\$16,786,720</u>
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B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$ 9,692,660
Capital assets (net)	27,916,448
Deferred outflows of resources	7,614,571
Bonds payable	(9,255,000)
Accrued interest payable	(9,586)
Net pension liability- proportionate share	(1,608,687)
Deferred inflows of resources	(486,681)
Compensated absences	(169,006)
OPEB obligations	(18,662,114)
Total net position	<u>\$ 15,032,605</u>

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Other Disclosures (Continued)

C. 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	\$1,780,458
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	2,573,291
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(1,268,548)
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	1,062,665
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 2016/17 results in more expense.	(2,166)
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(3,502,720)
Certain revenues in the governmental funds must be recognized in the Statement of Activities	(7,507)
<p>(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:</p>	
Teachers' Retirement System	(16,846)
Employee's Retirement System	(141,397)
<p>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:</p>	
OPEB obligations	(2,223,351)
Compensated absences	(7,994)
<u>Change in Net Position – Governmental Activities</u>	<u>(\$ 1,754,115)</u>

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a. The School District's administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the School District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the fiscal year end. 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.

2. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following 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 the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. Budgets (Continued)

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.

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

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. The budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

3. 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.
4. Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2017 indicate that the unassigned fund balance is in excess of the legal limit by \$612,036.

XIV. Subsequent Events

On August 23, 2017, the District issued \$405,000 in serial bonds to be used for the purchase of buses.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 11,941,763	\$ 11,941,763	\$ 11,940,426	\$ (1,337)
Other tax items	1,558,473	1,558,473	1,561,959	3,486
Charges for services	139,617	139,617	200,278	60,661
Use of money and property	40,000	40,000	33,875	(6,125)
Sale of property and compensation for loss	2,000	2,000	4,024	2,024
Miscellaneous	90,220	90,220	148,248	58,028
Total Local Sources	<u>13,772,073</u>	<u>13,772,073</u>	<u>13,888,810</u>	<u>116,737</u>
State sources	13,144,082	13,144,082	13,191,936	47,854
Federal sources	50,000	50,000	103,291	53,291
Total Revenues	<u>26,966,155</u>	<u>26,966,155</u>	<u>27,184,037</u>	<u>\$ 217,882</u>
Appropriated Fund Balance	2,000,000	2,200,200		
Appropriated Reserves	-	360,200		
Total Revenues, Appropriated Fund Balance and Reserves	<u>\$ 28,966,155</u>	<u>\$ 29,526,555</u>		

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 40,770	\$ 43,995	\$ 35,937	\$ 651	\$ 7,407
Central administration	199,795	216,230	214,010	127	2,093
Finance	477,164	526,656	458,543	52,875	15,238
Staff	121,100	142,911	125,368	3,663	13,880
Central services	1,993,850	2,184,131	1,879,964	129,824	174,343
Special items	273,798	285,964	238,947	-	47,017
Total General Support	3,106,477	3,399,887	2,952,769	187,140	259,978
Instruction					
Instruction, administration and improvement	1,230,386	1,237,177	1,181,656	333	55,188
Teaching - regular school	7,626,826	7,664,605	7,081,444	113,652	469,509
Programs for children with handicapping conditions	3,629,174	3,795,160	3,515,521	37,156	242,483
Occupational education	808,423	861,069	818,720	-	42,349
Special schools	25,793	27,587	25,132	-	2,455
Instructional media	998,071	1,084,609	825,013	173,122	86,474
Pupil services	1,028,011	1,048,474	964,453	17,455	66,566
Total Instructional	15,346,684	15,718,681	14,411,939	341,718	965,024
Pupil Transportation	1,802,765	1,910,827	1,587,067	2,210	321,550
Employee Benefits	7,112,214	6,688,714	6,011,498	9,751	667,465
Debt Service					
Principal	1,062,665	1,062,665	1,062,665	-	-
Interest	300,350	300,350	252,301	-	48,049
Total Expenditures	28,731,155	29,081,124	26,278,239	540,819	2,262,066
OTHER FINANCING USES					
Operating transfers out	235,000	445,431	445,431	-	-
Total Expenditures and Other Financing Uses	\$ 28,966,155	\$ 29,526,555	26,723,670	\$ 540,819	\$ 2,262,066
Net change in fund balance			460,367		
Fund balance- Beginning			8,066,178		
Fund balance- Ending			\$ 8,526,545		

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 SCHEDULE OF FUNDING OF OTHER POSTEMPLOYMENT BENEFITS
 For Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 22,175,334	\$ 22,175,334	0%	\$ 12,401,284	179.00%
July 1, 2014	\$ -	\$ 23,380,295	\$ 23,380,295	0%	\$ 12,594,900	186.00%
July 1, 2016	\$ -	\$ 32,945,712	\$ 32,945,712	0%	\$ 12,991,141	254.00%

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2017

<i>Teachers' Retirement System</i>		
	2017	2016
District 's proportion of the net pension asset	.065898%	.065301%
District's proportionate share of the net pension (asset) liability	\$ 705,795	\$ (6,782,742)
District's covered-employee payroll	\$ 10,737,007	\$10,451,851
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	6.57%	64.90%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%
<i>Employees' Retirement System</i>		
	2017	2016
District 's proportion of the net pension liability	.0096091%	.0106635%
District's proportionate share of the net pension liability	\$ 902,892	\$ 1,711,518
District's covered-employee payroll	\$ 2,610,457	\$ 2,831,410
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.58%	60.45%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 June 30, 2017

Teachers' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,258,377	\$ 1,385,915	\$ 1,753,596	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>1,258,377</u>	<u>1,385,915</u>	<u>1,753,596</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 10,737,007</u>	<u>\$ 10,451,851</u>	<u>\$ 10,003,398</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	11.72%	13.26%	17.5%		

Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 434,350	\$ 539,419	\$ 557,161	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>434,350</u>	<u>539,419</u>	<u>557,161</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 2,610,457</u>	<u>\$ 2,831,410</u>	<u>\$ 2,793,324</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	16.6%	19.0%	19.9%		

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
 THE REAL PROPERTY TAX LIMIT
 For Year Ended June 30, 2017

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		\$ 28,966,155
Additions:		
Prior year's encumbrances	\$ 360,200	
Appropriated fund balance	200,200	560,400
	200,200	560,400
Revised Budget		\$ 29,526,555

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 Voter-approved Expenditure Budget	\$ 30,103,377
Maximum allowed (4% of 2017-2018 Budget)	\$ 1,204,135

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

Unrestricted fund balance:	
Committed fund balance	-
Assigned fund balance	2,540,819
Unassigned fund balance	1,816,171
Total unrestricted fund balance	\$ 4,356,990

Less:

Appropriated fund balance	2,000,000
Encumbrances included in committed and assigned fund balance	540,819
Total adjustments	\$ 2,540,819

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ 1,816,171
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Actual percentage	6.00%
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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.

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
 For Year Ended June 30, 2017

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Methods of Financing				Fund Balance June 30, 2017	
			Prior Years	Current Year	Total	Unexpended Balance	NYS Sources	Proceeds of Obligations	Local Sources		Total
Excel Project	\$ 11,875,000	\$ 11,875,000	\$ 11,835,811	\$ -	\$ 11,835,811	\$ 39,189	\$ 564,198	\$ 9,625,096	\$ 1,685,706	\$ 11,875,000	\$ 39,189
Districtwide-2015	3,310,000	3,310,000	910,203	1,791,918	2,702,121	607,879	-	2,860,000	410,000	3,270,000	567,879
Land Purchase	40,000	40,000	-	30,812	30,812	9,188	-	-	40,000	40,000	9,188
Buses 16/17	442,720	442,720	-	442,720	442,720	-	-	442,720	-	442,720	-
Door Project	100,000	100,000	-	31,836	31,836	68,164	-	-	100,000	100,000	68,164
Security Project	200,000	200,000	-	196,725	196,725	3,275	-	-	200,000	200,000	3,275
	<u>\$ 15,967,720</u>	<u>\$ 15,967,720</u>	<u>\$ 12,746,014</u>	<u>\$ 2,494,011</u>	<u>\$ 15,240,025</u>	<u>\$ 727,695</u>	<u>\$ 564,198</u>	<u>\$ 12,927,816</u>	<u>\$ 2,435,706</u>	<u>\$ 15,927,720</u>	<u>\$ 687,695</u>

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

CAIRO-DURHAM CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2017

Capital assets, net			\$ 27,916,448
Deduct:			
Short-term portion of bonds payable	\$	1,245,000	
Long-term portion of bonds payable		8,010,000	
less: unspent bond proceeds		<u>(607,068)</u>	<u>8,647,932</u>
Net investment in capital assets			<u><u>\$ 19,268,516</u></u>

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

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

www.rgpreusser-cpa.com

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
Cairo-Durham 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 Cairo-Durham Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated August 29, 2017.

Internal Control Over Financial Reporting

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



Claverack, New York
August 29, 2017

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

To the Board of Education of the
Cairo-Durham 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 Cairo-Durham Central School District as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Cairo-Durham 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 Cairo-Durham Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cairo-Durham 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 August 29, 2017 on the financial statements of the Cairo-Durham 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:

Fund Balance

Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2017 indicate that the unassigned fund balance is in excess of the legal limit by \$612,036.


School Lunch Fund

The fund balance of the School Lunch Fund is in excess of the legal limit. The legal limit is equal to three months of expenses. The District currently has a fund balance in excess of this limit by approximately \$188,590.

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.



Raymond G. Preusser