

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Financial Statements for the Year Ended**

**June 30, 2019**

**Together with Independent**

**Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# DALTON-NUNDA CENTRAL SCHOOL DISTRICT

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**INDEPENDENT AUDITOR’S REPORT**

September 20, 2019

To the Board of Education of the  
Dalton-Nunda Central School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dalton Nunda Central School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

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

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

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

## **INDEPENDENT AUDITOR'S REPORT**

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, 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 schedules of contributions-pension plans, proportionate share of the net pension liability (asset), and changes in total OPEB liability and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

The other 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 September 20, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) (In Thousands)

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The following is a discussion and analysis of the Dalton-Nunda Central School District's (the District) financial performance for the fiscal year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow.

#### Financial Highlights

- New York State Law limits the amount of unreserved fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year, the Unassigned Fund Balance of the General Fund was \$709,771.
- The School District's governmental fund financial statements report a combined ending fund balance of \$13,206,552, and increase of \$2,435,558 over the prior year.
- On the government-wide financial statements, the assets of the School District exceeded liabilities by \$30,374,285. The School district's total net position increased by \$2,474,287 for the year ended June 30, 2019.

#### Overview of the Financial Statements

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

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.
  - The Governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
  - Fiduciary fund statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

# DALTON-NUNDA CENTRAL SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited) (In Thousands)

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

**Table A-1**

Organization of the District's Annual Financial Report

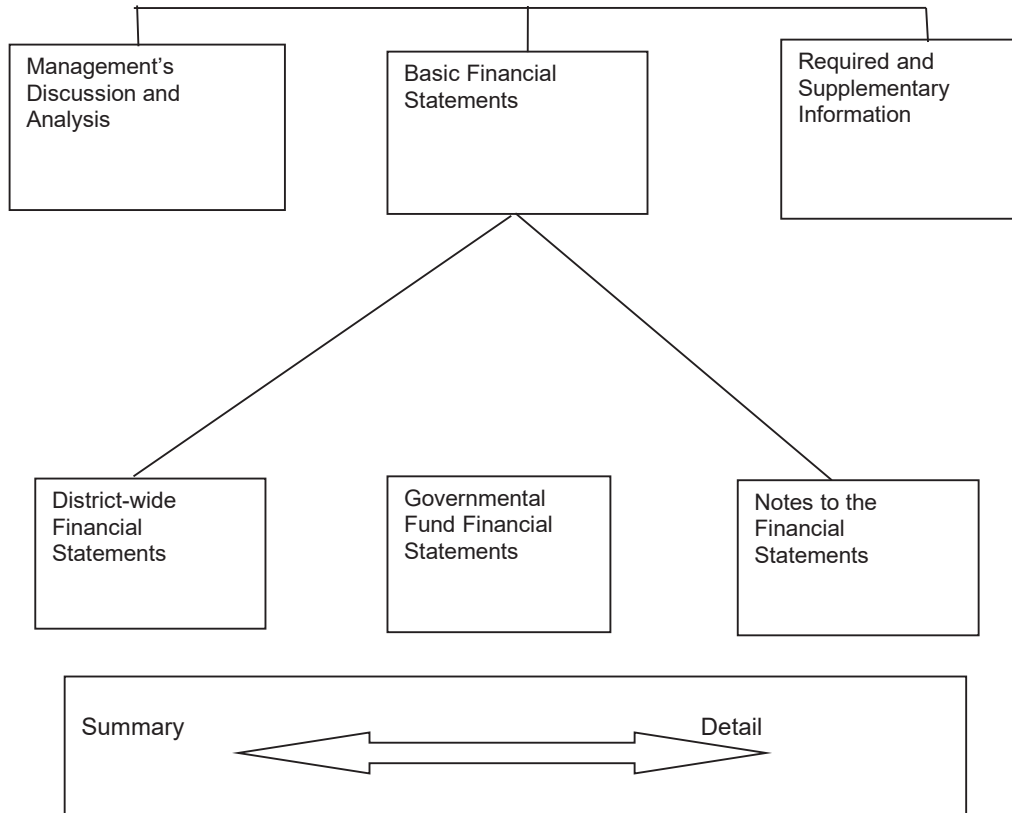


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
(In Thousands)**

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

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows-outflows of resources/liability information	All assets/deferred outflows and liabilities/deferred inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-Wide Statements**

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) (In Thousands)

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The two District-wide statements report the District's net position and how it has changed. Net position, the

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional nonfinancial factors, such as changes in the property tax base and the condition of buildings and other facilities, should be considered.

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

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

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

#### **Fund Financial Statements**

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



## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) (In Thousands)

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The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out of the District and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information in a reconciliation to the governmental fund statements explain the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General fund, Special Aid fund, School Lunch fund, Debt Service fund and the Capital Projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
(In Thousands)**

**Financial Analysis of the District as a Whole**

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

**Table A-3** Condensed Statements of Net Position - Governmental Activities

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Current Assets	\$ 14,734,979	\$ 12,254,748	20.24%
Non-Current Assets	27,757,266	28,281,642	-1.85%
Deferred Outflows of Resources	<u>4,603,681</u>	<u>4,087,413</u>	12.63%
Total Assets & Deferred Outflows	47,095,926	44,623,803	5.54%
Current Liabilities	1,484,836	1,414,087	5.00%
Noncurrent Liabilities	13,462,657	13,932,190	-3.37%
Deferred Inflows of Resources	<u>1,774,148</u>	<u>1,377,528</u>	28.79%
Total Liabilities & Deferred Inflows	16,721,641	16,723,805	-0.01%
Net Position:			
Investment in Capital Assets (net of related debt)	20,467,388	20,410,445	0.28%
Restricted	11,556,462	9,601,511	20.36%
Unrestricted	<u>(1,649,565)</u>	<u>(2,111,958)</u>	-21.89%
Total Net Position	<u>\$ 30,374,285</u>	<u>\$ 27,899,998</u>	8.87%

By far, the largest component of the School District’s net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) (In Thousands)

**Table A-4** Changes in Net Position from Operating Results - Governmental Activities

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Revenues			
Charges for services	\$ 124,255	\$ 145,906	-14.84%
Operating grants	955,454	945,418	1.06%
Capital grants	26,890	264,548	-89.84%
General revenue:			
Real property taxes	4,936,884	4,839,701	2.01%
Use of money and property	132,415	39,663	233.85%
Sale of property and compensation for loss	7,965	1,976	303.09%
Miscellaneous	204,098	217,731	-6.26%
State sources	<u>12,626,719</u>	<u>14,484,744</u>	-12.83%
Total revenue	19,014,680	20,939,687	-9.19%
Expenses			
General government support	2,974,075	3,044,788	-2.32%
Instruction	11,553,700	12,001,263	-3.73%
Pupil transportation	1,394,905	1,348,722	3.42%
Home and community service	604	35,323	-98.29%
Interest	260,173	331,036	-21.41%
School lunch program	<u>356,936</u>	<u>373,388</u>	-4.41%
Total expenses	<u>16,540,393</u>	<u>17,134,520</u>	-3.47%
Change in Net Position	<u>\$ 2,474,287</u>	<u>\$ 3,805,167</u>	-34.98%

#### Changes in Net Position

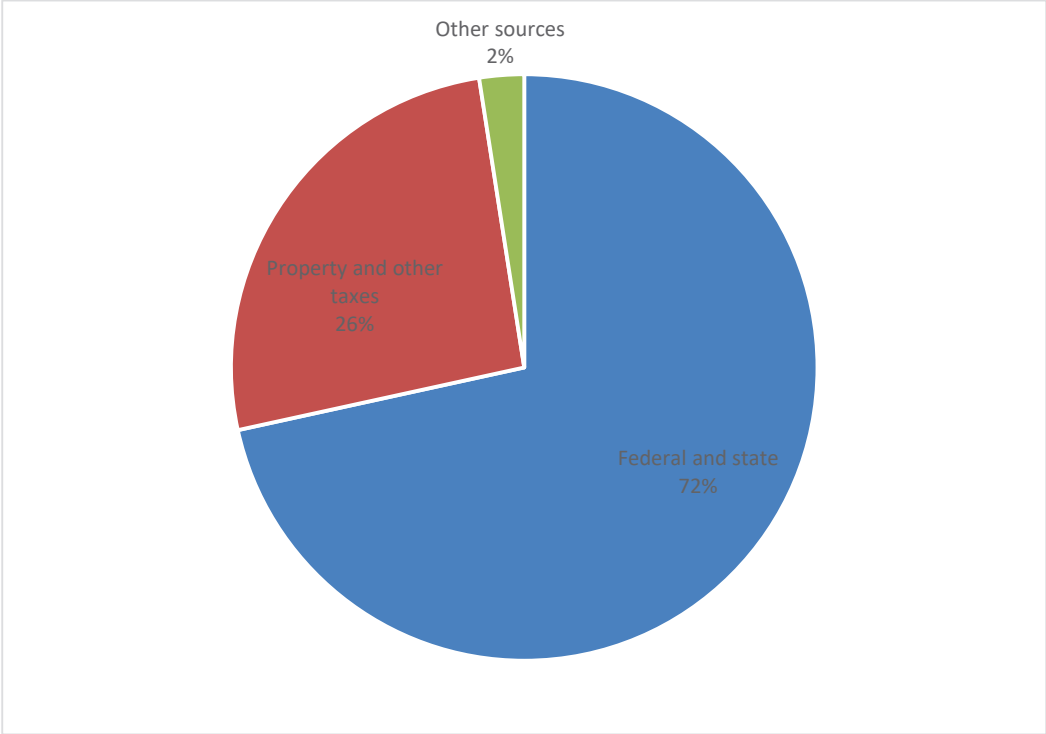
Governmental activities increased the School District's net position by \$ 2,474,287. Although a decrease from the previous year's change in net position, the School District continues to use its resources wisely. As indicated on the following graphs, the School District relies upon State and Federal aid as its primary revenue source. The School District's instruction costs account for 70% of its expenses.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

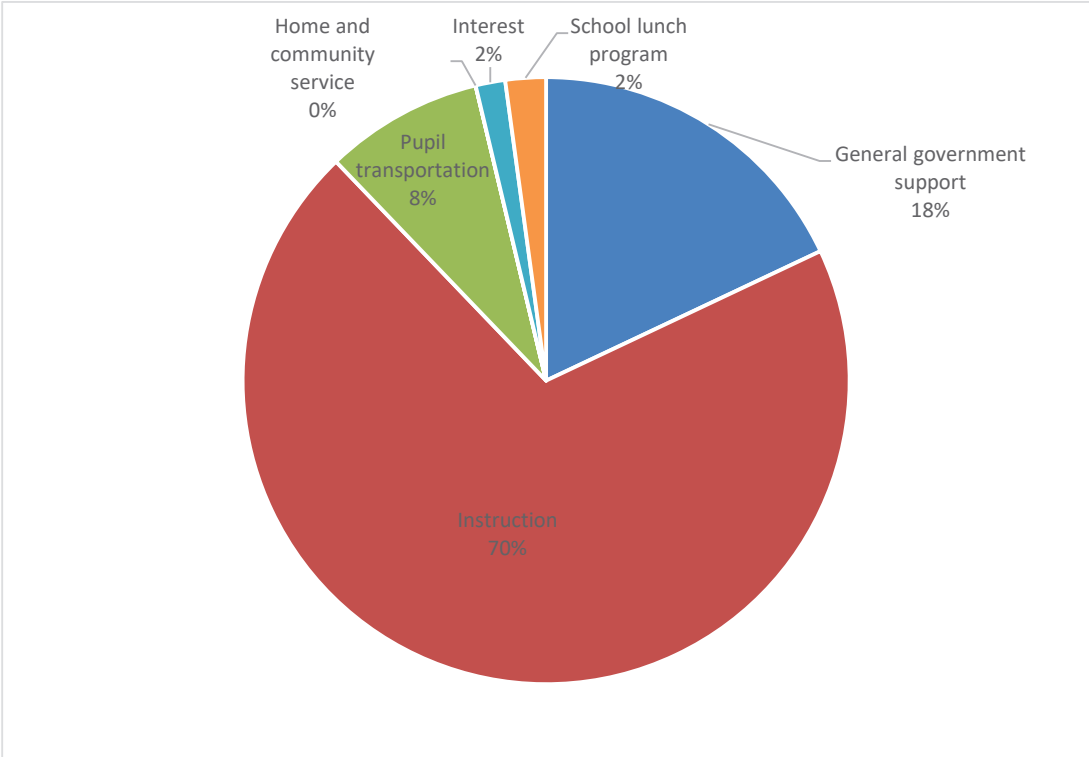
**Management’s Discussion and Analysis (Unaudited)  
(In Thousands)**

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**Table A-5 Sources of Revenue for Fiscal Year 2019**



**Table A-6 Expenses for Fiscal Year 2019**



## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) (In Thousands)

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#### Financial Analysis of the District's Funds

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

#### Governmental Funds

The focus of the School District's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$13,206,552, an increase of \$2,435,558 over the prior year. The primary reason for the increase in combined fund balance was:

Of the total combined fund balances, the Capital Fund increased due to the transfer from Restricted Capital Reserve. Also the Restricted fund balance increased \$2,372,953. Of the total combined fund balances, \$113,647 is nonspendable, \$11,974,464 is Restricted and \$408,670 is Assigned. \$300,000 of the Assigned fund balance has been designated as Appropriated and represents the amount estimated for use in the 2019-20 budget.

The General fund is the chief operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$10,308,037, of which \$709,771 or 4% of the ensuing year's budget was unreserved and undesignated. As previously mentioned, New York State Law limits the amount designated for the subsequent year's budget.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
(In Thousands)**

**General Fund Budgetary Highlights**

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

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

	Original Budget	Final Budget	Actual	Encumbrances	Variance Positive/ (Negative)
<b>Revenue:</b>					
Local sources	\$ 5,035	\$ 5,043	\$ 5,258	\$ -	\$ 215
Federal and state sources	<u>12,303</u>	<u>12,303</u>	<u>12,627</u>	-	<u>324</u>
Total	<u>17,338</u>	<u>17,346</u>	<u>17,885</u>	-	<u>539</u>
<b>Expenditures:</b>					
General support	2,912	3,013	2,542	25	445
Instruction	8,378	8,318	7,260	30	1,029
Employee benefits	3,979	3,954	3,245	-	710
Transportation	1,283	1,288	872	11	405
Home and community service	-	2	1	-	1
Debt service	1,245	1,245	1,245	-	-
Net other financing (sources) uses	<u>(159)</u>	<u>(158)</u>	<u>2,092</u>	-	<u>(2,250)</u>
Total	<u>17,638</u>	<u>17,662</u>	<u>17,257</u>	<u>66</u>	<u>339</u>
Revenue over (under) expense	<u>\$ (300)</u>	<u>\$ (316)</u>	<u>\$ 628</u>	<u>\$ (66)</u>	<u>\$ 878</u>

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

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
(In Thousands)**

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The following significant variances between budget and actual occurred during fiscal 2019:

- General support was under budget by approximately \$445 thousand due to overestimating heating cost and maintenance supplies.
- Instructional expenditures were under budget approximately \$1,029 million due to overestimating teachers’ salaries as their contract was settled after the budget was approved. Also cost of tuition and BOCES services were overestimated.
- Transportation costs were under budget approximately \$405 thousand due to new bus was purchased with a serial bond, fuel cost lower than expected and contract bussing was overestimated.
- Employee benefits were under budget approximately \$710 thousand due to overestimating health insurance and retirement expenditures.
- Other financing sources were over budget by \$2.2 million due to transfers of \$2 million to Capital Fund for an upcoming project.

All other revenues and all expenditures were closely in line with that budgeted for the year.

**Capital Assets**

As of June 30, 2019, the District had an investment of \$27 million in a broad range of capital assets including land, buildings, site improvements, vehicles and other educational equipment.

**Table A-8** Capital Assets (net of depreciation)

	Fiscal Year 2019	Fiscal Year 2018
Category:	<u>2019</u>	<u>2018</u>
Land	\$ 51,000	\$ 51,000
Construction in Progress	244,618	-
Buildings and Improvements	26,034,524	27,090,569
Machinery and Equipment	<u>840,246</u>	<u>888,876</u>
Total	<u>\$ 27,170,388</u>	<u>\$ 28,030,445</u>

More detailed information about the School Districts capital assets is presented in the notes to the financial statements.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) (In Thousands)

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#### Long-Term Liabilities

At June 30, 2019, the School District had \$13 million in general obligation and other long-term debt outstanding as follows:

**Table A-9** Outstanding Long-Term Liabilities

	Fiscal Year 2019	Fiscal Year 2018
Category:		
Serial Bonds	\$ 6,703,000	\$ 7,620,000
Compensated absences	472,481	508,409
OPEB	5,861,769	5,602,985
Net pension liability	<u>425,407</u>	<u>200,796</u>
<b>Total Long-Term Obligations</b>	<b><u>\$ 13,462,657</u></b>	<b><u>\$ 13,932,190</u></b>

More detailed information related to these liabilities is presented within the footnotes.

#### FACTORS BEARING ON THE FUTURE OF THE DISTRICT

##### State Aid

The District is highly dependent on state aid revenues as noted in the attached financial statements. The uncertainty about future state aid revenues, as well as the concern that future state aid is now tied to personal income growth, is a major concern to District management as we attempt to create long term financial stability.

##### Property Taxes

The District is subject to the property tax cap, which will restrict its ability to raise revenues from property taxes in the future. In the 2019-20 school year the tax cap was 2.00% and the District could only raise \$122,470 in additional tax revenue. The District was tax cap compliant in the 2018-19 year.

##### Reserves

At the budget vote in May of 2019, a new capital reserve was approved to offset the local share in future building projects. Also a new repair reserve was approved to offset the future emergency projects.

##### Increase of Staff

The District was able to again add to our teaching staff and add new programs for students.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Dalton-Nunda Central School District  
PO Box 517  
13 Mill Street  
Nunda, NY 14517



**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2019**

<b>ASSETS</b>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,276,959
Cash and cash equivalents - restricted	12,362,979
Accounts receivable	7,816
Due from fiduciary funds	130,974
Due from state and federal	561,964
Due from other governments	387,837
Inventory	6,450
Total current assets	<u>14,734,979</u>
NON-CURRENT ASSETS:	
Net pension asset - TRS	586,878
Capital assets, net	<u>27,170,388</u>
Total non-current assets	<u>27,757,266</u>
Total assets	<u>42,492,245</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related - TRS	3,154,681
Pension Related - ERS	303,534
Other post-employment benefits	<u>1,145,466</u>
Total deferred outflows of resources	<u>4,603,681</u>
<b>LIABILITIES</b>	
CURRENT LIABILITIES:	
Accounts payable	544,531
Accrued liabilities	266,826
Unearned revenue	10,529
Due to other governments	5,975
Due to Teachers' Retirement System	585,535
Due to Employees' Retirement System	<u>71,440</u>
Total current liabilities	<u>1,484,836</u>
LONG-TERM LIABILITIES:	
Due and payable within one year -	
Bonds payable	953,000
Compensated absences	<u>54,479</u>
Total long-term liabilities due and payable within one year	<u>1,007,479</u>
Due and payable after one year -	
Net pension liability - ERS	425,407
Compensated absences	418,002
Bonds payable	5,750,000
Total other post employment benefits	<u>5,861,769</u>
Total long-term liabilities due and payable after one year	<u>12,455,178</u>
Total long-term liabilities	<u>13,462,657</u>
Total liabilities	<u>14,947,493</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related - TRS	764,148
Pension related - ERS	156,005
Other post-employment benefits	<u>853,995</u>
Total deferred inflows of resources	<u>1,774,148</u>
<b>NET POSITION</b>	
Net investment in capital assets	20,467,388
Restricted	11,556,462
Unrestricted	<u>(1,649,565)</u>
Total net position	<u>\$ 30,374,285</u>

The accompanying notes are an integral part of these financial statements.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Statements of Activities  
For the year ended June 30, 2019**

	<u>Program Revenue</u>				Net (Expense)
	<u>Expenses</u>	Charges for	Operating	Capital	Revenue and
		<u>Services</u>	<u>Grants</u>	<u>Grants</u>	Changes in Net
					<u>Position</u>
FUNCTIONS/PROGRAMS:					
General government support	\$ 2,974,075	\$ -	\$ -	\$ -	\$ (2,974,075)
Instruction	11,553,700	23,131	750,890	26,890	(10,752,789)
Pupil transportation	1,394,905	-	-	-	(1,394,905)
Home and community service	604	-	-	-	(604)
Interest	260,173	-	-	-	(260,173)
School lunch program	356,936	101,124	204,564	-	(51,248)
Total functions/programs	<u>\$ 16,540,393</u>	<u>\$ 124,255</u>	<u>\$ 955,454</u>	<u>\$ 26,890</u>	<u>\$ (15,433,794)</u>
GENERAL REVENUE:					
Real property taxes					4,936,884
Use of money and property					132,415
Sale of property and compensation for loss					7,965
Miscellaneous					204,098
State and federal sources					<u>12,626,719</u>
Total general revenue					<u>17,908,081</u>
CHANGE IN NET POSITION					<u>2,474,287</u>
NET POSITION - beginning of year					<u>27,899,998</u>
NET POSITION - end of year					<u>\$ 30,374,285</u>

The accompanying notes are an integral part of these financial statements.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Balance Sheet - Governmental Funds  
June 30, 2019**

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash - Unrestricted	\$ 1,181,738	\$ -	\$ -	\$ 95,221	\$ -	\$ 1,276,959
Cash - Restricted	9,124,895	160,537	2,007,372	-	1,070,175	12,362,979
Accounts receivable	7,321	-	-	495	-	7,816
Due from other funds	1,039,411	439	178,768	14,092	-	1,232,710
Due from other governments	387,837	-	-	-	-	387,837
Due from Federal and State governments	316,596	217,996	26,891	481	-	561,964
Inventory	-	-	-	6,450	-	6,450
<b>Total assets</b>	<u>12,057,798</u>	<u>378,972</u>	<u>2,213,031</u>	<u>116,739</u>	<u>1,070,175</u>	<u>15,836,715</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	313,345	20,270	210,733	183	-	544,531
Accrued liabilities	255,938	-	-	-	-	255,938
Due to other funds	459,160	358,702	222,904	60,970	-	1,101,736
Due to other governments	5,905	-	-	70	-	5,975
Due to Teachers' Retirement System	585,535	-	-	-	-	585,535
Due to Employees' Retirement System	67,310	-	-	4,130	-	71,440
Unearned revenue	8,089	-	-	2,440	-	10,529
Compensated absences	54,479	-	-	-	-	54,479
<b>Total liabilities</b>	<u>1,749,761</u>	<u>378,972</u>	<u>433,637</u>	<u>67,793</u>	<u>-</u>	<u>2,630,163</u>
<b>FUND BALANCES:</b>						
<b>Nonspendable -</b>						
Inventory	-	-	-	6,450	-	6,450
Other	107,197	-	-	-	-	107,197
<b>Restricted for -</b>						
Capital Reserve	2,606,770	-	1,779,394	-	-	4,386,164
Reserve for Debt Service	-	-	-	-	1,070,175	1,070,175
Employee benefits	427,855	-	-	-	-	427,855
Retirement contributions	1,140,957	-	-	-	-	1,140,957
Unemployment Insurance	1,371,642	-	-	-	-	1,371,642
Workers' Compensation	2,353,569	-	-	-	-	2,353,569
Repair Liability	629,012	-	-	-	-	629,012
Liability	595,090	-	-	-	-	595,090
<b>Assigned to -</b>						
<b>Appropriated for subsequent years' expenditures</b>						
Other assigned purposes	300,000	-	-	-	-	300,000
Other assigned purposes	66,174	-	-	42,496	-	108,670
Unassigned	709,771	-	-	-	-	709,771
<b>Total fund balances</b>	<u>10,308,037</u>	<u>-</u>	<u>1,779,394</u>	<u>48,946</u>	<u>1,070,175</u>	<u>13,206,552</u>
<b>Total Liabilities and fund balance</b>	<u>\$ 12,057,798</u>	<u>\$ 378,972</u>	<u>\$ 2,213,031</u>	<u>\$ 116,739</u>	<u>\$ 1,070,175</u>	<u>\$ 15,836,715</u>

The accompanying notes are an integral part of these financial statements.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2019

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

Fund Balance - total governmental funds	\$ 13,206,552
Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the funds	27,170,388
Deferred outflows/inflows of resources related to pensions are applicable to future periods and; therefore, not reported in the funds:	
Deferred outflows - other postemployment benefits	1,145,466
Deferred outflows - ERS/TRS	3,458,215
Deferred inflows - other postemployment benefits	(853,995)
Deferred inflows - ERS/TRS	(920,153)
Net pension obligations are not due and payable in the current period; and therefore, are not reported in the funds:	
Net pension asset - TRS	586,878
Net pension liability - ERS	(425,407)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(6,703,000)
Other postemployment benefits	(5,861,769)
Accrued interest	(10,888)
Compensated absences	<u>(418,002)</u>
Net position of governmental activities	<u>\$ 30,374,285</u>

The accompanying notes are an integral part of these financial statements.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Statement of Revenues, Expenditures, and Change In Fund Balance - Governmental Funds  
For the year ended June 30, 2019**

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>						
Real property tax	\$ 4,936,884	\$ -	\$ -	\$ -	\$ -	\$ 4,936,884
Charges for services	23,131	-	-	-	-	23,131
Use of money and property	97,120	-	24,012	-	11,283	132,415
Sale of property and compensation for loss	7,965	-	-	-	-	7,965
Miscellaneous	193,380	-	-	10,718	-	204,098
State source	12,589,364	323,399	26,890	6,210	-	12,945,863
Federal source	-	427,491	-	198,354	-	625,845
Medicaid reimbursement	37,355	-	-	-	-	37,355
Sales	-	-	-	101,124	-	101,124
<b>Total revenue</b>	<u>17,885,199</u>	<u>750,890</u>	<u>50,902</u>	<u>316,406</u>	<u>11,283</u>	<u>19,014,680</u>
<b>EXPENDITURES:</b>						
General support	2,542,070	-	-	-	-	2,542,070
Instruction	7,259,982	665,617	-	-	-	7,925,599
Pupil transportation	872,774	30,334	-	-	-	903,108
Employee benefits	3,244,810	68,006	-	52,102	-	3,364,918
Home and community service	-	-	-	-	-	-
Cost of sales	-	-	-	283,516	-	283,516
Capital outlays	-	-	382,738	-	-	382,738
Debt service - Principal	985,000	-	-	-	-	985,000
Interest	260,173	-	-	-	-	260,173
<b>Total expenditures</b>	<u>15,164,809</u>	<u>763,957</u>	<u>382,738</u>	<u>335,618</u>	<u>-</u>	<u>16,647,122</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,720,390</u>	<u>(13,067)</u>	<u>(331,836)</u>	<u>(19,212)</u>	<u>11,283</u>	<u>2,367,558</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Proceeds from issuance of debt	-	-	68,000	-	-	68,000
Transfers in	-	13,067	2,043,230	36,164	-	2,092,461
Transfers out	(2,092,461)	-	-	-	-	(2,092,461)
<b>Total other financing sources (uses)</b>	<u>(2,092,461)</u>	<u>13,067</u>	<u>2,111,230</u>	<u>36,164</u>	<u>-</u>	<u>68,000</u>
<b>CHANGE IN FUND BALANCE</b>	627,929	-	1,779,394	16,952	11,283	2,435,558
<b>FUND BALANCE - beginning of year</b>	<u>9,680,108</u>	<u>-</u>	<u>-</u>	<u>31,994</u>	<u>1,058,892</u>	<u>10,770,994</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 10,308,037</u>	<u>\$ -</u>	<u>\$ 1,779,394</u>	<u>\$ 48,946</u>	<u>\$ 1,070,175</u>	<u>\$ 13,206,552</u>

The accompanying notes are an integral part of these financial statements.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance -  
Governmental Funds to the Statement of Activities  
For the year ended June 30, 2019**

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Net changes in fund balance - total governmental funds	\$ 2,435,558
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	402,888
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(1,262,945)
Proceeds from the issuance of bonds are recorded as revenues within the governmental funds, but are recorded as liabilities in the statement of net position.	(68,000)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position.	985,000
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense.	894
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned, net of employer contributions is reported as other postemployment benefits.	(28,960)
Certain expenses in the statement of activities do not require the use of current resources and are, therefore, not reported as expenditures in the governmental funds:	
Change in compensated absences	<u>9,852</u>
Change in net position - governmental activities	<u>\$ 2,474,287</u>

The accompanying notes are an integral part of these financial statements.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Statement of Net Position - Fiduciary Funds  
For the year ended June 30, 2019**

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	Private Purpose Trusts	Agency
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash	\$ -	169,711
Cash - restricted	64,178	91,827
Accounts receivable	<u>-</u>	<u>162</u>
 Total assets	 <u>64,178</u>	 <u>261,700</u>
 <b>LIABILITIES:</b>		
Due to other funds	-	130,974
Extraclassroom activity balances	-	91,827
Other liabilities	<u>-</u>	<u>38,899</u>
 Total liabilities	 <u>-</u>	 <u>\$ 261,700</u>
 <b>NET POSITION:</b>		
Restricted for scholarships	<u>64,178</u>	
 Total net position	 <u>\$ 64,178</u>	

The accompanying notes are an integral part of these financial statements.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the year ended June 30, 2019**

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	Private Purpose Trusts
ADDITIONS:	
Gifts and contributions	\$ 2,170
Investment earnings	<u>157</u>
Total additions	2,327
DEDUCTIONS:	
Scholarships and awards	<u>3,444</u>
CHANGE IN NET POSITION	(1,117)
NET POSITION - beginning of year	<u>65,295</u>
NET POSITION - end of year	<u>\$ 64,178</u>

The accompanying notes are an integral part of these financial statements.



# DALTON-NUNDA CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements

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### 1. NATURE OF OPERATIONS

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

#### **Reporting Entity**

The District is governed by the Laws of New York State. The District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The 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 District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the District's reporting entity:

- **Extraclassroom Activity Funds**

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

#### **Joint Venture**

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

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

During the year, the District was billed \$2,327,807 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$861,859.

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

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

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

### **Basis of Presentation**

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

### **District-Wide Statements**

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### **Fund Financial Statements**

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

The District reports the following major governmental funds:

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

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

- **Special Aid Fund:** Used to account for proceeds from State and Federal grants that are restricted for specific educational programs.
- **School Lunch Fund:** Use to account for child nutrition activities whose funds are restricted as to use.

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

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

#### **Fiduciary Funds**

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

There are two classes of fiduciary funds:

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

Non-exchange transactions in which the District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The 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 sixty days after the end of the fiscal year.

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

#### **Cash**

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

#### **Restricted Cash**

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### **Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

#### **Property Taxes**

Real property taxes are levied annually by the BOE no later than September 1, and become a lien on August 12. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

#### **Inventory**

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

#### **Interfund Transactions**

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

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

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

Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

#### **Capital Assets**

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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Land and construction in progress are not depreciated. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 50,000	SL	15 - 50 years
Machinery and Equipment	\$ 5,000	SL	5 - 25 years

#### **Vested Employee Benefits**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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

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

#### **Other Benefits**

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

In addition to providing pension benefits, the District 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.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

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

#### **Unearned Revenue**

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

#### **Short Term Debt**

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

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

#### **Accrued Liabilities and Long-Term Obligations**

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

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

#### **Restricted Resources**

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

In the District-wide statements there are three classes of net position:

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

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

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

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

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

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

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

##### Capital reserve

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

##### Reserve for Debt Service

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



## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### Repair

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

#### Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, this reserve must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund under restricted fund balance.

#### Insurance Reserve

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

#### Liability Reserve

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

#### Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the funds without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgements and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### Retirement Contribution

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

#### Workers' Compensation

According to General Municipal Law §6-j, must be 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. This reserve is accounted for in the General Fund under restricted fund balance.

#### Unemployment Insurance Reserve

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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Restricted fund balance within the governmental funds includes the following:

Unemployment insurance	\$ 1,371,642
Debt service	1,070,175
Retirement contribution	1,140,957
Workers compensation	2,353,569
Employee benefit accrued liability	427,855
Liability	595,090
Capital	4,386,164
Repair	<u>629,012</u>
Total restricted fund balance	<u>\$ 11,974,464</u>

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the BOE. The District has no committed fund balances as of June 30, 2019.

Assigned fund balance -Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent years budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

#### Reserve for Insurance Recoveries

Reserve for Insurance Recoveries (Education Law §1718(2)) is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held there pending action by the Board on their disposition. This reserve will not be used if the insurance recovery is expended in the same fiscal year in which it was received. The reserve is accounted for in the general fund.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District 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 overspending for specific purposes for which amounts had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the general fund includes the following reserve:

#### Reserve for Tax Reduction

This reserve (EL §1604, §1709) is used for the gradual use of the proceeds of the sale of District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. This reserve is accounted for in the General Fund.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### Unassigned Fund Balance

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

#### **Order of Fund Balance Spending Policy**

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

#### **Use of Estimates**

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

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

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

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

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

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

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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- Long Term Revenue and Expense Differences  
Long-term revenue differences arise because governmental funds report revenue only when it is considered “available,” whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
- Capital Related Differences  
Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
- Long Term Debt Transaction Differences  
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.
- 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.
- OPEB Differences  
OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

#### 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

##### **Budgets**

The District administration prepares a proposed budget for approval by the Board Of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations are adopted at the program line item level.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2019.

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

#### **Encumbrances**

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

#### **5. CASH**

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

The District's aggregate bank balances of \$13,674,257 not covered by depository insurance at year-end, were fully collateralized.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$12,362,979 within the governmental funds and \$156,005 in the fiduciary funds.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

**6. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Balance <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2019</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Construction in progress	<u>-</u>	<u>244,618</u>	<u>-</u>	<u>244,618</u>
Total nondepreciable cost	<u>51,000</u>	<u>244,618</u>	<u>-</u>	<u>295,618</u>
Capital assets that are depreciated:				
Buildings and Improvements	44,139,565	-	-	44,139,565
Machinery and Equipment	<u>6,138,177</u>	<u>158,270</u>	<u>(360,450)</u>	<u>5,935,997</u>
Total depreciable historical cost	<u>50,277,742</u>	<u>158,270</u>	<u>(360,450)</u>	<u>50,075,562</u>
Less accumulated depreciation:				
Buildings and Improvements	(17,048,996)	(1,056,045)	-	(18,105,041)
Machinery and Equipment	<u>(5,249,301)</u>	<u>(206,900)</u>	<u>360,450</u>	<u>(5,095,751)</u>
Total accumulated depreciation	<u>(22,298,297)</u>	<u>(1,262,945)</u>	<u>360,450</u>	<u>(23,200,792)</u>
Total depreciable cost - net	<u>27,979,445</u>	<u>(1,104,675)</u>	<u>-</u>	<u>26,874,770</u>
Total capital assets, net	<u>\$ 28,030,445</u>	<u>\$ (860,057)</u>	<u>\$ -</u>	<u>\$ 27,170,388</u>

Depreciation expense for the year ended June 30, 2019, was allocated to specific functions as follows:

Instruction	\$ 1,032,053
School Lunch	19,217
Pupil transportation	37,783
Administration	<u>173,892</u>
Total depreciation	<u>\$ 1,262,945</u>

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

**7. INTERFUND BALANCES AND ACTIVITY**

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General	\$ 1,039,411	\$ 459,160	\$ -	\$ 2,092,461
Special Aid	439	358,702	13,067	-
School Lunch	14,092	60,970	36,164	-
Capital Projects	178,768	222,904	2,043,230	-
Agency	<u>196,482</u>	<u>327,456</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,429,192</u>	<u>\$ 1,429,192</u>	<u>\$ 2,092,461</u>	<u>\$ 2,092,461</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

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

**8. LONG-TERM OBLIGATIONS**

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

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>06/30/2018</u>	<u>Additions</u>	<u>06/30/2019</u>	<u>One Year</u>
		<u>Deletions {a}</u>		
<b>Bonds:</b>				
Serial bonds payable	<u>\$ 7,620,000</u>	<u>\$ 68,000</u>	<u>\$ (985,000)</u>	<u>\$ 6,703,000</u>
				<u>\$ 953,000</u>
<b>Other liabilities:</b>				
Compensated absences	<u>\$ 508,409</u>	<u>\$ -</u>	<u>\$ (35,928)</u>	<u>\$ 472,481</u>
				<u>\$ 54,479</u>

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

Interest on all debt for the year was composed of:

Interest paid	\$ 260,173
Less: Interest accrued in the prior year	(10,888)
Plus: Interest accrued in the current year	<u>10,888</u>
Total interest expense	<u>\$ 260,173</u>



**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>6/30/19 Balance</u>
Serial bond	2014	2020	1.75-1.88%	\$ 55,000
Serial bond	2015	2030	1.50-3.00%	3,345,000
Serial bond	2016	2024	2.00-5.00%	3,235,000
Serial bond	2018	2024	1.00-5.50%	<u>68,000</u>
 Total bond issues				 <u>\$ 6,703,000</u>

The following is a summary of the maturity of long-term indebtedness as of June 30, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 953,000	\$ 230,195	\$ 1,183,195
2021	930,000	201,914	1,131,914
2022	955,000	164,964	1,119,964
2023	995,000	126,764	1,121,764
2024	1,030,000	90,319	1,120,319
2025-2029	1,685,000	161,488	1,846,488
2030-2034	<u>155,000</u>	<u>4,650</u>	<u>159,650</u>
Totals	<u>\$ 6,703,000</u>	<u>\$ 980,294</u>	<u>\$ 7,683,294</u>

**9. PENSION PLANS**

***New York State Employees' Retirement System***

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

The system is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 6 vary based on a sliding salary scale. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS
2019	\$ 244,129
2018	\$ 245,572
2017	\$ 245,443

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

At June 30, 2019, the District reported a net pension liability of \$425,407 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 the District's proportionate share was 0.0060041%, which was a decrease of 0.0002174% from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$297,581. At June 30, 2019, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,771	\$ 28,557
Changes of assumptions	106,930	-
Net difference between projected and actual earnings on pension plan investments	-	109,183
Changes in proportion and differences between the District's contributions and proportionate share of contributions	41,393	18,265
Contributions subsequent to the measurement date	71,440	-
Total	<u>\$ 303,534</u>	<u>\$ 156,005</u>

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

Plan's Year Ended June 30:

2020	\$	101,851
2021		(79,329)
2022		(3,187)
2023		56,754
Thereafter		-
	\$	<u>76,089</u>

The District recognized \$71,440 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2019 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2020.

#### Actuarial Assumptions

The total pension liability at June 30, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019.

The actuarial valuation used the following actuarial assumptions:

Inflation	2.50%
Salary scale	4.2% indexed by service
Cost-of-living adjustments	1.3%
Decremets	Developed from the Plan's experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% net of investment expenses, including inflation

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

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

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

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic equity	36.00	4.55
International equity	14.00	6.35
Private equity	10.00	7.50
Real estate	10.00	5.55
Absolute return strategies	2.00	3.75
Opportunistic portfolio	3.00	5.68
Real asset	3.00	5.29
Bonds and mortgages	17.00	1.31
Cash	1.00	-0.25
Inflation indexed bonds	<u>4.00</u>	<u>1.25</u>
	<u>100%</u>	

**Discount Rate**

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

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

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

	<u>1% Decrease 6%</u>	<u>Current Discount 7%</u>	<u>1% Increase 8%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 1,859,946</u>	<u>\$ 425,407</u>	<u>\$ (779,708)</u>

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### **Pension Plan Fiduciary Net Position (000's)**

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

Total pension liability	\$	189,803,429
Net position	\$	<u>182,718,124</u>
Net pension liability (asset)	\$	<u>7,085,305</u>
ERS net position as a percentage of total pension liability		96.27%

#### ***New York State Teachers' Retirement System***

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

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

#### **Contributions**

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

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

	<u>TRS</u>
2019	\$ 589,539
2018	\$ 542,711
2017	\$ 662,861

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

At June 30, 2019, the District reported a net pension asset of \$586,878 for its proportionate share of the TRS net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 the District's proportionate share was 0.032455%, which was an increase of -0.000595% from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$471,890. At June 30, 2019 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 438,569	\$ 79,442
Changes of assumptions	2,051,524	-
Net difference between projected and actual earnings on pension plan investments	-	651,479
Changes in proportion and differences between the District's contributions and proportionate share of contributions	122,428	33,227
Contributions subsequent to the measurement date	542,160	-
Total	<u>\$ 3,154,681</u>	<u>\$ 764,148</u>

The District recognized \$542,160, as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2018, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

Plan's Year Ended March 31:

2019	\$	604,664
2020		415,802
2021		58,535
2022		414,419
2023		281,695
Thereafter		73,258
	\$	<u>1,848,373</u>

#### Actuarial Assumptions

The total pension liability at the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

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

Projected COLAs	1.5% compounded annually
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.

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

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

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

The Long Term Expected Real Rates of Return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2018 are summarized in the following table:

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

Asset Type	Target Allocations in %	Long-term expected real rate of return in %
Domestic equity	33	5.8
International equity	16	7.3
Global equities	4	6.7
Real estate equities	11	4.9
Private equities	8	8.9
Domestic fixed income securities	16	1.3
Global Fixed Income Securities	2	0.9
Private debt	1	6.8
Real estate debt	7	2.8
High-yield fixed income securities	1	3.5
Short-term	1	0.3
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease	Current Discount	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Proportionate Share of Net Pension Liability (asset)	<u>\$ 4,031,948</u>	<u>\$ (586,878)</u>	<u>\$ (4,456,171)</u>



## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### Pension Plan Fiduciary Net Position

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

Total pension liability	\$	118,107,253,288
Net position		<u>119,915,517,622</u>
Net pension liability (asset)	\$	<u>(1,808,264,334)</u>
NYSTRS net position as a percentage of total pension liability		101.53%

#### Payables to the Pension Plans

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System.

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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Employee contributions are remitted monthly.

	<u>June 30, 2019</u>
ERS Liability	67,310
TRS Liability	585,535

## 10. OTHER POSTEMPLOYMENT BENEFITS

#### Plan Description

The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

#### Benefits Provided

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Actives	115
Retirees	16
Beneficiaries	0
Spouses of Retirees	4
Total participants	<u>135</u>

#### Total OPEB Liability

The District's total OPEB liability of \$5,861,769 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>June 30, 2019</u>
Discount rate	3.50%
20 year tax-exempt municipal bond yield	3.50%
Valuation date	July 1, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Salary increases including inflation	2.60%
Medical trend rate	6.1 to 4.1% over 57 years

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

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00% in 2018 to 3.5% in 2019.

#### Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 5,602,985</u>
Changes for the Year-	
Service cost	173,066
Interest on total OPEB liability	168,258
Effect of plan changes	(17,581)
Effect of demographic gains or losses	(987,432)
Effect of assumptions changes or inputs	1,259,891
Benefit payments	<u>(337,418)</u>
Net changes	<u>258,784</u>
Balance at June 30, 2019	<u>\$ 5,861,769</u>

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease <u>2.5%</u>	Current Discount 3.5%	1% Increase <u>4.5%</u>
Total OPEB Liability	<u>\$ 6,333,077</u>	<u>\$ 5,861,769</u>	<u>\$ 5,417,388</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease <u>5.1% to 3.1%</u>	Healthcare Current Trend <u>6.1% to 4.1%</u>	1% Increase <u>7.1% to 5.1%</u>
Total OPEB Liability	<u>\$ 5,106,272</u>	<u>\$ 5,861,769</u>	<u>\$ 6,761,670</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$366,378. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,831	\$ 853,995
Changes of assumptions	<u>1,089,635</u>	<u>-</u>
Total	<u>\$ 1,145,466</u>	<u>\$ 853,995</u>

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2020	\$ 42,635
2021	42,635
2022	42,635
2023	42,635
2024	42,635
Thereafter	<u>78,296</u>
	<u>\$ 291,471</u>

#### 11. RISK MANAGEMENT

##### **General**

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

##### **Worker's Compensation**

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

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

## DALTON-NUNDA CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2019, the District incurred premiums or contribution expenditures totaling \$48,365.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2019, revealed that the Plan is fully funded.

#### **Unemployment**

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self-insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2018-2019 fiscal year totaled \$480. The balance of the fund at June 30, 2019 is \$1,371,642 and is recorded in the General fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2019, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

## **12. COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

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

#### **Grants**

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

## **13. TAX ABATEMENT**

The Livingston County IDA enters into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced \$60,730. The District received payment in Lieu of Tax (PILOT) payment totaling \$2,933.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
For the year ended June 30, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Budgetary Actual</u>
<b>REVENUE</b>					
Real property taxes	\$ 4,930,211	\$ 4,930,211	\$ 4,936,884	\$ -	\$ 6,673
Charges for services	-	-	23,131	-	23,131
Use of money and property	5,000	5,000	97,120	-	92,120
Sale of property and compensation for loss	-	-	7,965	-	7,965
Miscellaneous	100,002	108,001	193,380	-	85,379
State sources	12,282,521	12,282,521	12,589,364	-	306,843
Medicaid reimbursement	<u>20,000</u>	<u>20,000</u>	<u>37,355</u>	-	<u>17,355</u>
Total revenue	<u>17,337,734</u>	<u>17,345,733</u>	<u>17,885,199</u>	-	<u>539,466</u>
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	36,752	41,632	36,450	-	5,182
Central administration	193,563	193,563	194,630	-	(1,067)
Finance	356,579	374,679	338,927	-	35,752
Staff	59,161	64,645	38,317	-	26,328
Central services	1,969,016	2,041,255	1,645,261	25,305	370,689
Special items	<u>296,303</u>	<u>296,303</u>	<u>288,485</u>	-	<u>7,818</u>
Total general support	<u>2,911,374</u>	<u>3,012,077</u>	<u>2,542,070</u>	<u>25,305</u>	<u>444,702</u>

INSTRUCTION:

Instruction, administration, and improvement	525,714	535,340	480,551	1,300	53,489
Teaching - regular school	3,942,627	3,898,453	3,417,100	25,645	455,708
Programs for children with handicapping conditions	2,307,176	2,324,066	1,917,821	1,780	404,465
Occupational education	555,708	558,768	556,739	-	2,029
Teaching - special school	36,361	35,861	33,236	-	2,625
Instructional media	351,692	303,535	248,619	317	54,599
Pupil services	<u>658,888</u>	<u>662,262</u>	<u>605,916</u>	<u>662</u>	<u>55,684</u>
Total instruction	<u>8,378,166</u>	<u>8,318,285</u>	<u>7,259,982</u>	<u>29,704</u>	<u>1,028,599</u>
Pupil transportation	1,282,752	1,288,243	872,170	11,165	404,908
Home and community service	-	2,000	604	-	1,396
Employee benefits	3,979,238	3,954,350	3,244,810	-	709,540
Debt service	<u>1,245,173</u>	<u>1,245,173</u>	<u>1,245,173</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>17,796,703</u>	<u>17,820,128</u>	<u>15,164,809</u>	<u>66,174</u>	<u>2,589,145</u>
Deficiency of revenue over expenditures	<u>(458,969)</u>	<u>(474,395)</u>	<u>2,720,390</u>	<u>(66,174)</u>	<u>3,128,611</u>
OTHER FINANCING USES:					
Transfers in	207,237	207,237	-	-	(207,237)
Transfers out	<u>(48,268)</u>	<u>(49,335)</u>	<u>(2,092,461)</u>	<u>-</u>	<u>(2,043,126)</u>
Total other financing uses	<u>158,969</u>	<u>157,902</u>	<u>(2,092,461)</u>	<u>-</u>	<u>(2,250,363)</u>
CHANGE IN FUND BALANCES	<u>\$ (300,000)</u>	<u>\$ (316,493)</u>	627,929	<u>\$ (66,174)</u>	<u>\$ 878,248</u>
FUND BALANCE - beginning of year			<u>9,680,108</u>		
FUND BALANCE - end of year			<u>\$ 10,308,037</u>		



**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)  
For the year ended June 30, 2019**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of the net pension liability (asset)	0.007%	0.006%	0.006%	0.006%	0.006%					
Proportionate share of the net pension liability (asset)	\$ 233	\$ 201	\$ 539	\$ 1,003	214					
Covered-employee payroll	\$ 1,692	\$ 1,638	\$ 1,599	\$ 1,730	1,724					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.77%	12.27%	33.71%	57.98%	12.39%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.70%	97.90%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of the net pension liability (asset)	0.032%	0.033%	0.032%	0.033%	0.036%					
Proportionate share of the net pension liability (asset)	\$ (587)	\$ (251)	\$ 347	\$ (3,430)	\$ (3,974)					
Covered-employee payroll	\$ 5,286	\$ 5,425	\$ 5,088	\$ 5,024	\$ 4,985					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.10%	-4.63%	6.82%	-68.27%	-79.73%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	100.66%	99.01%	110.46%	111.48%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Schedule of Contributions - Pension Plans (Unaudited)  
For the year ended June 30, 2019**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2013	2012	2011	2010	
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 244	\$ 246	\$ 245	\$ 319	\$ 335					
Contributions in relation to the contractually required contribution	<u>244</u>	<u>246</u>	<u>245</u>	<u>319</u>	<u>335</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	\$ 1,692	\$ 1,638	\$ 1,599	\$ 1,730	\$ 1,724					
Contributions as a percentage of covered-employee payroll	14.42%	15.02%	15.32%	18.44%	19.44%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2013	2012	2011	2010	
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 589	\$ 543	\$ 663	\$ 692	\$ 873					
Contributions in relation to the contractually required contribution	<u>589</u>	<u>543</u>	<u>663</u>	<u>692</u>	<u>873</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	\$ 5,286	\$ 5,425	\$ 5,088	\$ 5,024	\$ 4,985					
Contributions as a percentage of covered-employee payroll	11.14%	10.01%	13.03%	13.77%	17.51%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
For the Year Ended June 30, 2019**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability											
Service cost	\$ 173	\$ 238									
Interest	168	165									
Changes of benefit terms	(18)	-									
Differences between expected and actual experience	(987)	67									
Changes in assumptions	1,260	-									
Benefit payments	(337)	(294)									
<b>Total change in total OPEB liability</b>	<b>259</b>	<b>176</b>									
<b>Total OPEB liability - beginning</b>	<b>5,602</b>	<b>5,426</b>									
<b>Total OPEB liability - ending</b>	<b>\$ 5,861</b>	<b>\$ 5,602</b>									
<b>Covered-employee payroll</b>	<b>\$ 5,582</b>	<b>\$ 6,611</b>									
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>105.0%</b>	<b>84.7%</b>									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Notes to schedule:**

**Changes of assumptions.** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following

Discount rate	3.50%	3.00%
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There are no significant changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2018. For the current year GASB valuation, the discount rate, mortality rate, salary scale, health care trend rates, and per capita costs have been updated.

**Plan Assets.** No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

**SUPPLEMENTARY INFORMATION (UNAUDITED)**

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Schedule of Change From Original Budget to Revised Budget and Schedule of Section 1318 of Real Property Tax Law Limit Calculation - General Fund (Unaudited)  
For the year ended June 30, 2019**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 17,844,969	
Add: Prior year's encumbrances	<u>16,493</u>	
Original budget	<u>17,861,462</u>	
Budget revisions	<u>8,001</u>	
Final budget	<u>\$ 17,869,463</u>	

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

2019-20 voter-approved expenditure budget	<u>\$ 17,744,291</u>	
Maximum allowed (4% of 2018-19 budget)		<u>709,772</u>

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

Unrestricted fund balance		
Assigned fund balance	\$ 366,174	
Unassigned fund balance	<u>709,771</u>	
Total unrestricted fund balance	<u>1,075,945</u>	
Less:		
Appropriated fund balance	300,000	
Encumbrances included in assigned fund balance	<u>66,174</u>	
Total adjustments	<u>\$ 366,174</u>	

General Fund Balance Subject to Section 1318 of Real Property Tax Law: \$ 709,771

Actual percentage 4.00%

DALTON-NUNDA CENTRAL SCHOOL DISTRICT

Schedule of Project Expenditures - Capital Projects Funds (Unaudited)  
 For the year ended June 30, 2019

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years' Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Unexpended Balance</u>	<u>Serial bonds</u>	<u>Federal and State sources</u>	<u>Local Sources</u>	<u>Total Financing</u>	<u>Fund balance</u>
2020 Capital Project	\$ 13,690,000	\$ 13,690,000	\$ -	\$ 244,618	\$ 244,618	\$ 13,445,382	\$ -	\$ -	\$ 2,024,012	\$ 2,024,012	\$ (1,779,394)
Smart Schools Bond Act	\$ 294,300	\$ 294,300	\$ 264,548	\$ 26,891	\$ 291,439	\$ 2,861	\$ -	\$ 291,439	\$ -	\$ 291,439	\$ -
	<u>\$ 13,984,300</u>	<u>\$ 13,984,300</u>	<u>\$ 264,548</u>	<u>\$ 271,509</u>	<u>\$ 536,057</u>	<u>\$ 13,448,243</u>	<u>\$ -</u>	<u>\$ 291,439</u>	<u>\$ 2,024,012</u>	<u>\$ 2,315,451</u>	<u>\$ (1,779,394)</u>

**DALTON-NUNDA CENTRAL SCHOOL DISTRICT**

**Schedule of Net Investment in Capital Assets (Unaudited)**

**For the year ended June 30, 2019**

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Capital assets, net	\$ 27,170,388
Deduct:	
Short-term portion of bonds payable	(953,000)
Long-term portion of bonds payable	<u>(5,750,000)</u>
Net investment in capital assets	<u>\$ 20,467,388</u>

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

September 20, 2019

To the Board of Education of  
Dalton-Nunda Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dalton Nunda Central School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2019.

**Internal Control Over Financial Reporting**

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

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



**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***

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

**Purpose of this Report**

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