

LAURENS CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2017

**LAURENS CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS**

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 13
District-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16 - 17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	20 - 21
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statements of Fiduciary Net Position and Changes in Fiduciary Net Position	23
Notes to the Financial Statements	24 - 46
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (non-GAAP basis) and Actual - General Fund	48 - 49
Schedule of Funding Progress - Other Post Employment Benefits Plan	50
Schedule of District's Proportionate Share of the Net Pension Liability	51
Schedule of District's Required Contributions	52
Supplementary Information	
Schedule of Changes from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund	53
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources Invested in Capital Assets, Net of Related Debt	54 55
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	56 - 57
Extraclassroom Activity Funds	
Independent Auditors' Report	58 - 59
Extraclassroom Activity Funds - Statement of Net Position, Liabilities and Fund Equity - Cash Basis	60
Extraclassroom Activity Funds - Statement of Cash Receipts, Disbursements and Transfers	61
Notes to the Financial Statement	62

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Laurens Central School District
Laurens, New York

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 Laurens Central School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Laurens Central School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 3 - 13, and budgetary comparison information on pages 48-49, schedule of funding progress of other postemployment benefits plans on page 50, and schedule of district's proportionate share of net pension liability and district's contributions on pages 51-52 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 Laurens Central School District's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules on pages 53-55 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the Laurens Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Laurens Central School District's internal control over financial reporting and compliance.

The logo for Cwynar & Company is written in a cursive, handwritten-style font. The word "Cwynar" is followed by an ampersand and the word "Company".

September 29, 2017
Norwich, NY

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2017. The section is a summary of the School 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 School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's total Net Position, as reflected in the district-wide financial statements, increased by \$1,057,721. The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$9,113,338. Of this amount, \$142,898 was offset by program charges for services. General revenues of \$9,347,958 amount to 92% of total revenues. The District received \$680,203 in operating grants to support programs. State aid revenue increased to \$6,561,723 in 2017 from \$6,110,600 in 2016. The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$466,478 to \$3,243,396. This was due to an excess of expenditures over revenues based on the modified accrual basis of accounting.

During the fiscal year 2016-2017, the Laurens Central School District staff and Board of Education was working hard to keep the quality of education high while also maintaining a low tax rate. The Board of Education was able to balance the 2017-2018 budget with an increase of \$143,885 or 1.5%. The actual results of operation showed that actual expenditures did not increase as much as was anticipated in 2016-2017 budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (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 School District:

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the School District, reporting the School District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds* statements tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

The table below summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School 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"> • Statement of net position • Statement of activities and changes in net position 	Balance sheet <ul style="list-style-type: none"> • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues 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 School District as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District's *Net Position* and how they have changed. Net Position – the difference between the School District's assets and liabilities – is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's Net Position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

In the district-wide financial statements, the School District's activities are shown as Governmental activities: Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds 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 School District's programs. Because this information does not encompass the additional long term focus of the district wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the district wide financial statements because it cannot use these assets to finance its operations.

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's total Net Position was \$11.79 million. Below is a Condensed Statement of Net Position. Additional details are available in the main financial statement section.

Condensed Statement of Net Position (in Thousands)

	Governmental Activities and Total School District		Total Percentage Change 2016-17
	2016	2017	
Assets			
Current and Other Assets	\$ 5,747	\$ 4,232	-26.4%
Capital Assets	19,616	19,853	1.2%
Total Assets	<u>25,363</u>	<u>24,085</u>	-5.0%
Deferred Outflows of Resources	<u>1,507</u>	<u>2,534</u>	68.1%
Total Assets and Deferred Outflows of Resources	26,870	26,618	18.8%
Liabilities and Deferred Inflows			
Current Liabilities	554	538	-2.9%
Long-Term Liabilities	14,971	14,156	-5.4%
Deferred Inflows of Resources	<u>607</u>	<u>130</u>	-78.6%
Total Liabilities and Deferred Inflows	16,132	14,824	-8.1%
Net Position			
Invested in Capital Assets, Net of Related Debt	6,529	7,699	17.9%
Restricted	2,903	2,879	-0.8%
Unrestricted	<u>1,306</u>	<u>1,216</u>	-6.9%
Total Net Position	<u>\$ 10,738</u>	<u>\$ 11,794</u>	9.8%

The Statement of Net Position differs from the governmental funds financial statements because a reservation of fund balance in the governmental funds does not necessarily mean they are shown as restricted on the Statement of Net Position. Only those reservations of fund balance are classified as restricted when constraints placed on net position use are either externally imposed or imposed by law; however, restrictions cannot be established by the District itself. Restricted Net Position is composed of reserves for workers' compensation, unemployment, debt service, capital, repairs, grants, employee benefits liabilities and retirement contributions.

- Current and other assets decreased by \$1.5 million, as compared to the prior year. The decrease resulted from the proportionate share of TRS net pension asset reducing from \$1.5 million to zero.
- Net capital assets increased by \$236 thousand, as compared to the prior year. The increase is a result of construction and equipment purchases exceeding depreciation.
- Long-term liabilities decreased by \$814 thousand, as compared to the prior year. The net decrease is a result of reducing bonds outstanding by \$866 thousand.
- Net Position invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation.

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The results of this year's operations as a whole are summarized below. The details are reported in the Statement of Activities. All revenue and expenses for each fiscal year are compared to the prior year with the percentage change. Program Revenues are specific program charges, grants, revenues and contributions that directly related to a specific expense. Generally, if the specific expense was not incurred the program revenue would not be received. General Revenues are not related to a specific expense but to the operation of the district. The two largest general revenues are the State Formula Aid provided by the State of New York, and the local Property Taxes assessed to community taxpayers.

The schedule below takes the information from the Statement of Activities, rearranges it slightly, so you can compare the current year to the prior.

**Condensed Changes in Net Position from Operating Results
(in Thousands)**

	Governmental Activities and Total School District		Total Percentage Change
	2016	2017	2016-17
Revenues			
Program Revenues			
Charges for Services	\$ 121	\$ 143	18.2%
Capital Grants	-	395	n/a
Operating Grants	593	680	14.7%
General Revenues			
Property Taxes and Tax Items	2,614	2,664	1.9%
State Formula Aid	6,111	6,167	0.9%
Use of Money and Property	1	1	0.0%
Miscellaneous	97	121	24.7%
Total Revenue	<u>9,537</u>	<u>10,171</u>	6.6%
Expenses			
General Support	1,413	1,529	8.2%
Instruction	5,329	5,851	9.8%
Pupil Transportation	716	683	-4.6%
Community Service	3	4	33.3%
Unallocated Depreciation	437	432	-1.1%
Debt Service - Interest	368	374	1.6%
School Lunch Program	236	241	2.1%
Total Expenses	<u>8,502</u>	<u>9,114</u>	7.2%
Change in Net Position	<u>\$ 1,035</u>	<u>\$ 1,057</u>	

The District's revenues increased by 6.6% in 2017. The major factors that contributed to the increase were:

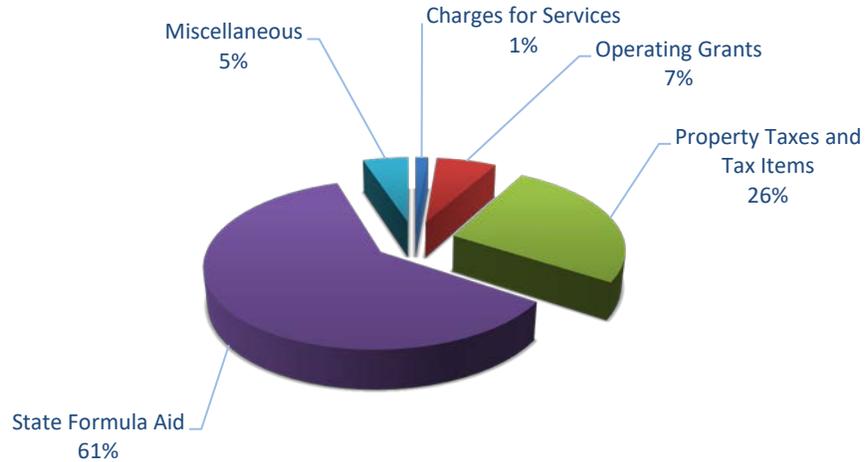
- Capital grants represents funding from the Smart School Bond Act.
- Operating grants increased due to additional funding received for special education and school lunch programs.

The District's expenses decreased 7.2% in 2017. Instructional expenses increased mainly due to changes in the actuarial calculation of net pension liabilities.

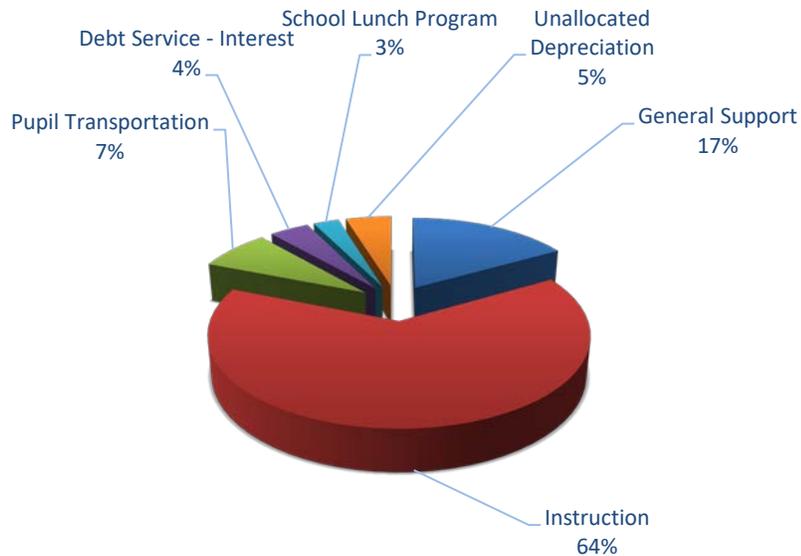
LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A graphic display of the distribution of revenues for the two years as follows:

Sources of Revenue for Fiscal Year 2017



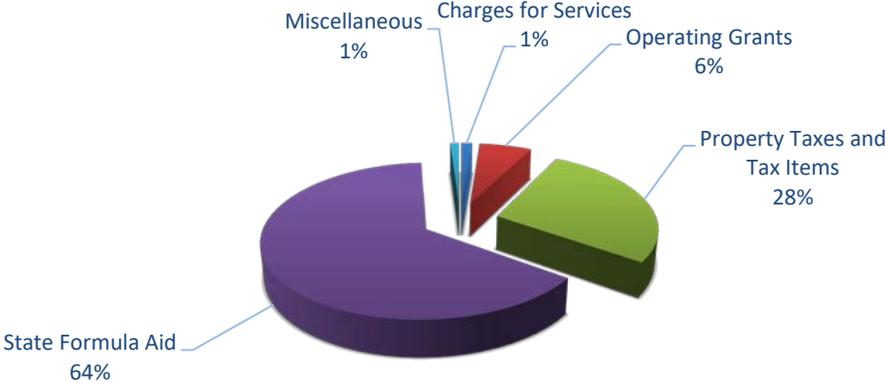
Expenses for Fiscal Year 2017



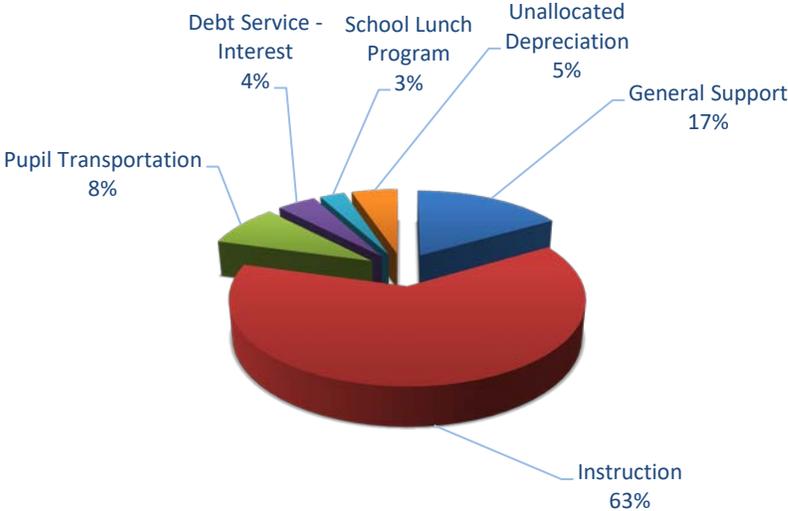
**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A graphic display of the distribution of expenses for the two years as follows:

Sources of Revenue for Fiscal Year 2016



Expenses for Fiscal Year 2016



**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Analysis of the District's Fund Balances

At June 30, 2017, the District governmental funds reported a combined fund balance of \$3.69 million, which is an increase of \$53 thousand from the prior year. This increase is due to an excess of revenues over expenditures for the year. A summary of the change in fund balance is as follows:

General Fund	2017	2016	Increase (Decrease)
Restricted for:			
Repairs	\$ 289,976	\$ 289,976	\$ -
Unemployment insurance	147,520	147,520	-
Workers compensation	150,036	155,036	(5,000)
Capital	1,312,669	1,739,219	(426,550)
Employee benefit accrued liability	444,154	444,154	-
Tax certiorari	7,500	-	7,500
Retirement contributions	180,041	180,041	-
Assigned to:			
Encumbrances	22,107	22,786	(679)
Subsequent year's expenditures	300,108	347,615	(47,507)
Unassigned	389,285	383,527	5,758
	<u>3,243,396</u>	<u>3,709,874</u>	<u>(466,478)</u>
School Lunch Fund			
Nonspendable - inventory	6,611	4,999	1,612
Assigned (unassigned)	73,023	43,177	29,846
	<u>79,634</u>	<u>48,176</u>	<u>31,458</u>
Special Aid Fund			
Restricted for grant programs	182,704	175,700	7,004
Debt Service Fund			
Restricted for debt service	64,421	64,340	81
Capital Projects Fund			
Restricted for capital	99,889	-	99,889
Unassigned	-	(381,462)	381,462
	<u>99,889</u>	<u>(381,462)</u>	<u>481,351</u>
Library Fund			
Assigned to library activities	21,650	22,049	(399)
Total Fund Balance	<u>\$ 3,691,694</u>	<u>\$ 3,638,677</u>	<u>\$ 53,017</u>

Combined decreases to the general fund restricted fund balances during the year ended June 30, 2017, includes uses of reserves to reduce taxes, as approved by the Board of Education.

Analysis of Fund Balance in the General Fund

Fund Balance consists of restricted and unrestricted balances. An assignment of fund balance indicates the planned use of these resources in the subsequent years' budget to 1) reduce the tax levy and 2) increase the budget for carryover encumbrances. The unassigned portion of unrestricted fund balance has not yet been planned to be used, this is the district's safety net for unbudgeted expenses. NYS Real Property Tax Law 1318 restricts the unrestricted fund balance (excluding assignments) of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year which allows the district to have \$389 thousand. Currently, the district's unassigned fund balance represents 4% of the 2017-18 budget.

Fund balance reserves are created to satisfy legal restrictions, to plan for future expenditures or relate to resources not available for general use or appropriation. Reserve Funds have been set up by the Board of

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Education and the district's voters to set aside funds when they are truly needed. These reserves are shown as restricted fund balance in the general fund.

General Fund Budgetary Highlights

The School District budgetary comparison schedule is shown in the required supplementary information section on pages 48 and 49. Below is a summary of significant variations from adopted budget to final budget as well as variations from budget to actual.

Various budget amounts increased \$23 thousand due to carryover encumbrances and \$422 thousand from appropriated reserves.

The most significant variations between actual expenditures and final budgeted expenditures were programs for central services, special education, and employee benefits, which resulted in actual less than budgeted expenditures of \$144,740, \$218,622 and \$189,364, respectively.

The District's General Fund adopted budget for the year was \$9,588,236. This was an increase of 3.2% from the prior year's adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this budgeted revenue was \$2.65 million in property taxes and tax items and state aid in the amount of \$6.16 million.

Change in General Fund's Unassigned Fund Balance

Opening, Unassigned Fund Balance	\$ 383,527
Revenues	8,987,740
Expenditures	(8,829,851)
Other financing uses	(319,486)
Net (Increase) Decrease in Assigned Funds	48,186
Net (Increase) Decrease in Restricted Funds	424,050
Other changes in fund balance	<u>(304,881)</u>
Closing, Unassigned Fund Balance	<u>\$ 389,285</u>

The opening balance is the portion of the District's June 30, 2016, fund balance that was retained unassigned. This was 4% of the District's approved 2016-17 operating budget.

Based on the summary of changes shown above, the District will begin the 2017-18 fiscal year with an unassigned fund balance of \$389 thousand. This is an increase of \$6 thousand from the unassigned fund balance from the prior year. This represents 4% of the 2017-18 approved operating budget.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the District had \$19.85 million in a broad range of capital assets, including land, construction in progress, land improvements, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$236 thousand from last year. Depreciation expense for the year was \$606 thousand.

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Capital Assets (Net of Depreciation) (In Thousands)

	Governmental Activities and Total School District		Total Percentage Change
	2016	2017	
Land	\$ 47	\$ 47	0.0%
Construction in Progress	1,585	764	-51.8%
Outdoor improvements	99	89	-10.1%
Buildings	17,084	18,060	5.7%
Machinery and equipment	247	273	10.5%
Licensed vehicles	554	620	11.9%
Total	<u>\$ 19,616</u>	<u>\$ 19,853</u>	1.2%

Long-Term Debt

As of July 1, 2016, the District had total outstanding bond principal of \$13.34 million. As of June 30, 2017, the District had total outstanding bond principal of \$12.47 million. The constitutional debt limit allows the District to have outstanding debt equal to or less than 10% of the full value on the most recent tax roll. At June 30, 2017 the outstanding debt (excluding exempt debt) of the District represented approximately 43% of the limit. Other debt represents compensated absences, other post-employment benefits, and unamortized bond premiums.

Outstanding Long Term Debt (In Thousands)

	Total School District		Total Percentage Change
	2016	2017	
General Obligation Bonds	\$ 13,336	\$ 12,470	-6.5%
All Other Debt	1,635	1,687	3.2%
Total	<u>\$ 14,971</u>	<u>\$ 14,157</u>	<u>-5.4%</u>

Factors Bearing on the District's Future

The School District will make every effort to stay under the Property Tax Cap, which will allow residents to receive the Property Tax Credit.

The School District will continue to fund reserves to adequate levels in preparation of years to come.

The School District will continue to seek alternative sources of funding in order to offset the exhaustion of various Federal and State funding.

**LAURENS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Contacting the School District's Financial Management

This financial report is designed to provide the Laurens Central School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the Laurens Central School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Business Office
District Treasurer
Laurens Central School
55 Main Street
Laurens, NY 13796

**LAURENS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION**

JUNE 30, 2017

ASSETS

Cash		
Unrestricted	\$	758,434
Restricted		2,670,956
Receivables		
Accounts receivable		10,057
Due from fiduciary funds		225,528
State and federal aid receivable		544,455
Inventories		6,611
Capital assets, net		19,852,568
Debt issuance costs - prepaid insurance		16,015
Total Assets	\$	<u>24,084,624</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	\$	1,811,333
Defeasance loss		722,286
Total Deferred Outflows of Resources	\$	<u>2,533,619</u>

LIABILITIES

Payables		
Accounts payable	\$	125,119
Accrued liabilities		27,395
Bond interest and matured bonds		13,306
Due to other governments		581
Due to fiduciary funds		38,064
Unearned revenues		1,858
Due to retirement systems		331,330
Long-term liabilities		
Due and payable within one year		
Bonds payable		1,020,000
Due and payable after one year		
Bonds payable		11,450,000
Unamortized bond premiums		421,386
Compensated absences payable		192,739
Other postemployment benefits payable		592,361
Net pension liability - proportionate share		480,068
Total Liabilities	\$	<u>14,694,207</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	\$	129,553
Total Deferred Inflows of Resources	\$	<u>129,553</u>

NET POSITION

Investment in capital assets, net of related debt	\$	7,699,483
Restricted for:		
Debt Service		64,421
Capital		1,412,558
Grant programs		182,704
Other legal restrictions: statutory reserves		1,219,227
Unrestricted (deficit)		1,216,090
Total Net Position	\$	<u>11,794,483</u>

See independent auditor's report

The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Capital Grants		Operating Grants
FUNCTIONS/PROGRAMS					
General support	\$ 1,528,705	\$ -	\$ -	\$ -	\$ (1,528,705)
Instruction	5,851,262	34,589	394,544	505,816	(4,916,313)
Pupil transportation	683,046	-	-	12,097	(670,949)
Community service	4,374	-	-	-	(4,374)
Debt service - interest	373,626	-	-	-	(373,626)
Depreciation - unallocated	431,962	-	-	-	(431,962)
School lunch program	241,173	108,309	-	162,290	29,426
	<u>\$ 9,114,148</u>	<u>\$ 142,898</u>	<u>\$ 394,544</u>	<u>\$ 680,203</u>	<u>\$ (7,896,503)</u>
GENERAL REVENUES					
Real property taxes					2,194,374
Other tax items					469,643
Use of money and property					988
Gain (loss) on sale of assets					6,131
Miscellaneous					115,099
State sources					<u>6,167,179</u>
Total General Revenues					<u>8,953,414</u>
Change in Net Position					1,056,911
Total Net Position - Beginning of year					<u>10,737,572</u>
Total Net Position - End of year					<u>\$ 11,794,483</u>

See independent auditor's report

The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS**

JUNE 30, 2017

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>
ASSETS			
Cash			
Unrestricted	\$ 483,054	\$ -	\$ 58,237
Restricted	2,531,896	39,171	-
Receivables			
Due from other funds	804,755	17,172	28,799
Due from fiduciary funds	225,528	-	-
State and federal aid receivable	319,067	225,388	-
Other receivables, net	7,645	-	2,412
Inventories	-	-	6,611
Total Assets	<u>\$ 4,371,945</u>	<u>281,731</u>	<u>96,059</u>
LIABILITIES			
Payables			
Accounts payable	\$ 122,757	269	323
Accrued liabilities	24,654	2,661	80
Deferred revenues	-	-	1,858
Due to:			
Due to other funds	611,744	96,097	13,583
Due to fiduciary funds	38,064	-	-
Due to other governments	-	-	581
Due to Teachers' Retirement System	293,448	-	-
Due to Employees' Retirement System	37,882	-	-
Total Liabilities	<u>1,128,549</u>	<u>99,027</u>	<u>16,425</u>
FUND BALANCES			
Nonspendable	-	-	6,611
Restricted	2,531,896	182,704	-
Assigned	322,215	-	73,023
Unassigned	389,285	-	-
Total Fund Balances	<u>3,243,396</u>	<u>182,704</u>	<u>79,634</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,371,945</u>	<u>\$ 281,731</u>	<u>\$ 96,059</u>

See independent auditor's report

The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)**

JUNE 30, 2017

<u>Library</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 21,430	\$ -	\$ 195,713	\$ 758,434
-	-	99,889	2,670,956
220	64,421	599,120	1,514,487
-	-	-	225,528
-	-	-	544,455
-	-	-	10,057
-	-	-	6,611
<u>21,650</u>	<u>64,421</u>	<u>894,722</u>	<u>5,730,528</u>
-	-	1,770	125,119
-	-	-	27,395
-	-	-	1,858
-	-	793,063	1,514,487
-	-	-	38,064
-	-	-	581
-	-	-	293,448
-	-	-	37,882
<u>-</u>	<u>-</u>	<u>794,833</u>	<u>2,038,834</u>
-	-	-	6,611
-	64,421	99,889	2,878,910
21,650	-	-	416,888
-	-	-	389,285
<u>21,650</u>	<u>64,421</u>	<u>99,889</u>	<u>3,691,694</u>
<u>\$ 21,650</u>	<u>\$ 64,421</u>	<u>\$ 894,722</u>	<u>\$ 5,730,528</u>

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**LAURENS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different due to the following:

Total fund balances - governmental funds	3,691,694
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,852,568
Non-current assets arising from advance refunding of debt are not current financial resources and are not reported in the funds.	
Defeasance Loss	722,286
Debt Issuance Costs - Prepaid Insurance	16,015
Proportionate share of long-term asset and liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds.	
Teachers' Retirement System	1,378,167
Employees' Retirement System	(176,455)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Other Post Employment Benefits	(592,361)
Compensated Absences	(192,739)
Serial Bonds	(12,470,000)
Unamortized Bond Premiums	(421,386)
Accrued Interest on Long Term Debt	(13,306)
Net Position of Governmental Activities:	<u>\$ 11,794,483</u>

See independent auditor's report

The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>
REVENUES			
Real property taxes	\$ 2,194,374	\$ -	\$ -
Other tax items	469,643	-	-
Charges for services	34,589	-	-
Use of money and property	862	-	6
Sale of property and compensation for loss	6,131	-	-
Miscellaneous	114,962	14,843	137
State sources	6,167,179	36,810	5,600
Sales - school lunch	-	-	108,309
Federal sources	-	466,260	156,690
Total Revenues	<u>8,987,740</u>	<u>517,913</u>	<u>270,742</u>
EXPENDITURES			
General support	1,203,492	-	100,938
Instruction	3,813,420	518,298	-
Pupil transportation	549,132	12,097	-
Community service	3,707	-	-
Employee benefits	1,812,536	-	10,204
Debt service			
Principal	1,006,000	-	-
Interest	376,564	-	-
Cost of sales	-	-	128,142
Capital outlay	65,000	-	-
Total Expenditures	<u>8,829,851</u>	<u>530,395</u>	<u>239,284</u>
Excess (Deficiency) of Revenues Over Expenditures	157,889	(12,482)	31,458
OTHER FINANCING SOURCES AND USES			
Proceeds from obligations	-	-	-
Operating transfers in	-	19,486	-
Operating transfers (out)	(319,486)	-	-
Payments to escrow agent	-	-	-
Total Other Sources (Uses)	<u>(319,486)</u>	<u>19,486</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(161,597)	7,004	31,458
Fund Balances - Beginning of year	3,709,874	175,700	48,176
Other Changes in Fund Balance	(304,881)	-	-
Fund Balances - End of year	<u>\$ 3,243,396</u>	<u>\$ 182,704</u>	<u>\$ 79,634</u>

See independent auditor's report

The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Library</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,194,374
-	-	-	469,643
-	-	-	34,589
39	81	-	988
-	-	-	6,131
-	-	65,000	194,942
-	-	394,544	6,604,133
-	-	-	108,309
-	-	-	622,950
<u>39</u>	<u>81</u>	<u>459,544</u>	<u>10,236,059</u>
-	-	-	1,304,430
-	-	-	4,331,718
-	-	-	561,229
438	-	-	4,145
-	-	-	1,822,740
-	-	-	1,006,000
-	-	-	376,564
-	-	-	128,142
-	-	583,074	648,074
<u>438</u>	<u>-</u>	<u>583,074</u>	<u>10,183,042</u>
(399)	81	(123,530)	53,017
-	3,122,933	-	3,122,933
-	-	300,000	319,486
-	-	-	(319,486)
<u>-</u>	<u>(3,122,933)</u>	<u>-</u>	<u>(3,122,933)</u>
<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
(399)	81	176,470	53,017
<u>22,049</u>	<u>64,340</u>	<u>(381,462)</u>	<u>3,638,677</u>
-	-	304,881	-
<u>\$ 21,650</u>	<u>\$ 64,421</u>	<u>\$ 99,889</u>	<u>\$ 3,691,694</u>

**LAURENS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2017

Net Changes in Fund Balance - Total Governmental Funds **\$ 53,017**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

	Depreciation Expense	(605,754)	
	Capital Outlays	<u>842,116</u>	236,362

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments and amortization of premiums and other debt issuance related costs.

	Repayment of Bond Principal	1,006,000	
	Debt Issuance Costs Deducted from Proceeds	(71,812)	
	Amortization of Debt Issuance Costs	(143)	
	Amortization of Defeasance Loss	(6,040)	
	Amortization of Bond Premiums	<u>5,629</u>	933,634

Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Change in Compensated Absences	(7,592)	
	Change in Other Post Employment Benefits Payable	(59,924)	
	Change in Accrued Interest	<u>3,492</u>	(64,024)

(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

	Teachers' Retirement System	(53,443)	
	Employees' Retirement System	<u>(48,635)</u>	<u>(102,078)</u>

Change in Net Position - Governmental Activities **\$ 1,056,911**

See independent auditor's report

The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION**

JUNE 30, 2017

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ 70,578	\$ 281,162
Due from governmental funds	<u>4,548</u>	<u>33,516</u>
Total Assets	<u>\$ 75,126</u>	<u>\$ 314,678</u>
 LIABILITIES		
Due to governmental funds	\$ -	\$ 225,528
Extraclassroom activity balances	-	68,761
Other liabilities	<u>-</u>	<u>20,389</u>
Total Liabilities	<u>-</u>	<u>\$ 314,678</u>
 NET POSITION		
Reserved for scholarships	<u>\$ 75,126</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ 10,429
Investment earnings	<u>5</u>
Total Additions	<u>10,434</u>
 DEDUCTIONS	
Scholarships and awards	<u>10,700</u>
Change in Net Position	(266)
Net Position - Beginning of year	<u>75,392</u>
Net Position - End of Year	<u>\$ 75,126</u>

See independent auditor's report

The notes to the financial statements are an integral part of this statement

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Laurens Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental 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:

A) Reporting Entity

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

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

The accompanying financial statements present the activities of the District and other organizational entities determined to be includable in the District's financial reporting entity. 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 certain entities included in the District's reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education 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 are included with this report. The district accounts for assets held as an agent for various student organizations in an agency fund.

ii) Scholarship Funds

The Scholarship Funds of the District represent funds of donors. The Board of Education exercises general oversight of these funds. These funds are independent of the District with respect to its financial transactions. Separate audited fiduciary schedules of the Scholarship Funds are included with this report. The district accounts for assets held as an agent for various student organizations in a Trust fund.

B) Joint Venture

The District is one of several component school districts in the Otsego Northern Catskills Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component 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 districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$1,042,448 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$401,886.

As of year-end, the District had outstanding BOCES debt of \$110,000.

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

C) Basis of Presentation

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) 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. If some funds are treated as non-major, add "All remaining governmental funds are aggregated and reported as non-major funds."

The District reports the following major governmental funds:

- a. 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.

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

- b. Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, school lunch operations, 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.
- c. Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.
- d. 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.
- e. Library Fund: This fund accounts for transactions of a library established and supported, in whole or in part, by real property taxes. The use of this fund assures compliance with Education Law §259, which provides that all moneys received from taxes or other public sources for library purposes shall be kept in a separate fund.
- f. Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the 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:
 - i) Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
 - ii) Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Property Taxes

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

F) Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are 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.

G) 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 with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

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

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

H) 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 date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

I) Cash (and cash equivalents)

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from 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

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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.

J) Receivable (or Accounts receivable)

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

K) Inventories and prepaid items

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

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

L) Other assets/restricted assets

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

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

M) Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2014. For assets acquired prior to this date, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

<u>Classes of Capital Assets</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Outdoor Improvements	\$500	Straight Line	20 – 30 Years
Buildings and Improvements	\$500	Straight Line	20 – 50 Years
Machinery and Equipment	\$500	Straight Line	5 – 20 Years
Licensed Vehicles	\$500	Straight Line	8 – 10 Years

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

Capital assets that are not depreciated include land and construction in progress. Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The school district is required to conduct a condition assessment of these assets at least once every three years.

N) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This 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 government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O) Unearned Revenues

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.

P) Vested employee benefits

Compensated absences

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

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, 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 funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Q) 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 post-employment 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

R) Short-term debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (BAN), 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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

S) 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

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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

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

T) Equity classifications

District-wide statements

In the district-wide statements there are three classes of Net Position:

Invested in capital assets, net of related debt – 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 are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund statements:

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

Non-spendable 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. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$6,653.

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

Capital

According to Education Law §3651, 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. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Repairs

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education 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

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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.

Employee Benefit Accrued Liability

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

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 fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments 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.

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.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. 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.

Unemployment Insurance

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

Encumbrances

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

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

Restricted fund balance includes the following:

General Fund:

Capital	\$ 1,312,669
Repairs	289,976
Employee Benefit Accrued Liability	444,154
Workers' Compensation	150,036
Retirement Contributions	180,041
Tax Certiorari	7,500
Unemployment Insurance	147,520
Special Aid Fund	182,704
Debt Service Fund	64,421
Capital Fund	99,889
Total restricted funds	<u>\$2,878,910</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2017.

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$22,107.

Unassigned - Includes all other General Fund Net Position that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

Spending Prioritization:

Unless the determination to use restricted, committed or assigned fund balance is made by the District prior to spending amounts on an expenditure incurred, the spending prioritization policy of the District shall be followed.

In the case that an expenditure is incurred for purposes for which both restricted an unrestricted fund balance is available; the District considers unrestricted amounts to have been spent. In the case that an expenditure is incurred for which committed, assigned, and unassigned fund balance is available; the District considers unassigned amounts to have been spent. The specific fund balance spending prioritization of the District is as follows:

1. Unassigned
2. Assigned
3. Committed
4. Restricted

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

U) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standard issued by GASB:

GASB has issued Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	Effective for the year ending June 30, 2018
GASB has issued Statement No. 77, <i>Tax Abatement Disclosures</i>	Effective for the year ending June 30, 2017

V) Future Changes in Accounting Standards

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

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

NOTE 2 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.

A) Total fund balances of governmental funds vs. Net Position of governmental activities:

Total fund balances of the District's governmental funds differ from "Net Position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i) Long-term revenue differences:

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) 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.

iv) 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.

NOTE 3 CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77 Tax Abatement Disclosures. See note 14 for the financial statement impact of the implementation of the statement.

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

- General Fund

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

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

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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

- Capital Project

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

- Special Aid Funds

Budgets are established by grantors and used for individual program fund expenditures. The maximum program amount authorized is based upon the grantor contracts and agreements not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the program.

Encumbrances

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

The District's unassigned fund balance was not in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

NOTE 5 CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash

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

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

FDIC Insured Deposits	\$	857,408
Uncollateralized		-
Collateralized with securities held by the pledging financial institution, or it's trust department or agent, but not in the District's name		3,124,169
	\$	<u>3,981,577</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,670,956 within the governmental funds and \$351,740 in the fiduciary funds.

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

NOTE 6 CAPITAL ASSETS

General fixed assets are carried at estimated historical cost. The value of these assets, including any donated assets, are measured at the most recent cash or cash equivalent price of the asset as established by an independent appraiser, CBIZ Valuation Group, LLC. The most recent appraisal date was June 30, 2014. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Any costs related to the asset that are incurred after the appraisal date such as additions, improvements, or replacements are added to the value of the asset if they provide future service potential; otherwise, they are expended in the period of occurrence. Proceeds from dispositions of property are included in income.

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 47,488	-	-	\$ 47,488
Construction in progress	1,584,912	583,074	(1,404,255)	763,731
Total nondepreciable historical cost	1,632,400	583,074	(1,404,255)	811,219
Capital assets that are depreciated:				
Outdoor Improvements	204,700	-	-	204,700
Buildings	21,666,901	1,404,255	-	23,071,156
Machinery and equipment	932,980	69,759	(17,493)	985,246
Transportation vehicles	1,105,618	189,283	(54,000)	1,240,901
Total depreciable historical cost	23,910,199	1,663,297	(71,493)	25,502,003
Less accumulated depreciation:				
Outdoor Improvements	105,743	9,752	-	115,495
Buildings	4,582,428	428,920	-	5,011,348
Machinery and equipment	686,328	43,742	(17,493)	712,577
Transportation vehicles	551,894	123,340	(54,000)	621,234
Total accumulated depreciation	5,926,393	605,754	(71,493)	6,460,654
Total depreciable and non-depreciable historical cost, net	\$ 19,616,206			\$ 19,852,568

The district does not have infrastructure assets as defined by GASB publications.

Depreciation expense was charged to governmental functions as follows:

General support	\$ 2,206
Instructional	37,957
Transportation	132,429
School food service	1,200
Depreciation not charged to a specific function	431,962
	\$ 605,754

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

NOTE 7 LONG-TERM DEBT

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

	Beginning Balance	Addition/ Issued	Deletion/ Redeemed	Ending Balance	Amounts Due Within One Year
Government activities:					
Bond Issue:					
Serial bond dated 2000	\$ 145,000	-	35,000	\$ 110,000	\$ 35,000
Serial bond dated 2001	26,000	-	26,000	-	-
Serial bond dated 2008	550,000	-	550,000	-	-
Serial bond dated 2009	3,430,000	-	3,200,000	230,000	230,000
Serial bond dated 2013	390,000	-	30,000	360,000	30,000
Serial bond dated 2015	860,000	-	50,000	810,000	50,000
Refunding bond dated 2015	7,935,000	-	70,000	7,865,000	645,000
Refunding bond dated 2017	-	3,115,000	20,000	3,095,000	30,000
Total bonds and notes payable	\$ 13,336,000	3,115,000	3,981,000	12,470,000	\$ 1,020,000
Other liabilities					
Unamortized bond premiums	327,770	99,245	5,629	421,386	-
Compensated absences	185,147	7,592	-	192,739	-
Net pension liability	589,623	-	109,555	480,068	-
Other postemployment benefits	532,437	59,924	-	592,361	-
Total	\$ 14,970,977	3,281,761	4,096,184	14,156,554	\$ 1,020,000

The following is a summary of maturity of bond indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Serial Bonds	2000	2020	5.65 - 6.05%	\$ 110,000
Serial Bonds	2009	2028	4.00 - 4.25%	230,000
Serial Bonds	2013	2028	3.00 - 4.25%	360,000
Serial Bonds	2015	2030	2.63 - 3.25%	810,000
Refunding Bond	2015	2028	2.00 - 4.00%	7,865,000
Refunding Bond	2017	2028	1.50 - 3.00%	3,095,000
				\$ 12,470,000

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

Interest paid on long-term debt during the year was:

Interest paid	\$	376,564
Less amortization of bond premium		(5,629)
Less interest accrued in the prior year		(16,798)
Plus amortization of defeasance loss		6,040
Plus amortization of bond issuance costs		143
Plus interest accrued in the current year		13,306
Total interest expense	\$	373,626

Advance Refunding of Debt

In June 2017, the District issued \$3,115,000 in general obligation bonds with a coupon rate of 1.5 – 3.0% over the life of the bond. This bond was issued to advance refund a \$3,430,000 Serial Bond issued in 2009 bearing an interest rate of 4.0%. The net proceeds of \$3,122,933 (including a premium of \$99,245, and payment of \$91,312 for underwriting fees, insurance and other issuance costs) was used to purchase U.S. Government Securities. Those securities were placed in an irrevocable trust with an escrow agent to pay for all future debt service payments of the original bonds until their call date of June 15, 2018. As a result, the original bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased the total debt service payment for the next 12 years by \$190,368 resulting in an economic impact of approximately \$149,757 at net present value. At June 30, 2017, remaining principal of the defeased debt was \$3,325,000.

NOTE 8 INTERFUND BALANCES AND EQUITY

	Receivable	Payable	Revenue	Expense
General Fund	\$ 1,030,283	649,808	\$ -	319,486
School Food Service Fund	28,799	13,583	-	-
Special Aid Fund	17,172	96,097	19,486	-
Library Fund	220	-	-	-
Capital Projects Fund	599,120	793,063	300,000	-
Debt Service Fund	64,421	-	-	-
Total Government activities	1,740,015	1,552,551	319,486	319,486
Fiduciary Funds	38,064	225,528	-	-
Total	\$ 1,778,079	1,778,079	\$ 319,486	319,486

All interfund payables are expected to be repaid within one year.

NOTE 9 PENSION PLANS

General information: The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Provisions and administration: A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS 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. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. 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. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies: The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, was:

	<u>NYSTRS</u>	<u>NYSERS</u>
2016-17	\$ 293,448	\$ 144,417
2015-16	327,665	176,285
2014-15	409,700	191,197

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

Since 1989, the ERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised. As a result, the total unpaid liability at the end of the year was \$-0-.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERED OUTFLOWS OF RESOURCES AND DEFERED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	3/31/2017	6/30/2016
Net pension asset/(liability)	\$(316,787)	\$ (163,281)
District's portion of the Plan's total net pension asset/(liability)	0.0034%	0.0152%

For the year ended June 30, 2017, the District's recognized pension expense of \$144,417 for ERS and the actuarial value \$311,937 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 7,938	\$ -	\$ 48,106	\$ 53,043
Changes of assumptions	108,226	930,151	-	-
Net difference between projected and actual earnings on pension plan investments	63,275	367,141	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	20,954	1,711	11,955	16,449
District's contributions subsequent to the measurement date	-	311,937	-	-
	<u>\$ 200,393</u>	<u>\$ 1,610,940</u>	<u>\$ 60,061</u>	<u>\$ 69,492</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2017	\$ -	\$ 111,161
2018	63,312	111,161
2019	63,312	396,293
2020	56,452	307,580
2021	(42,744)	139,764
Thereafter	-	163,552

ACTUARIAL ASSUMPTIONS

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

Significant actuarial assumptions used in the valuations were as follows:

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2017	6/30/2016
Actuarial valuation date	4/1/2016	6/30/2015
Interest rate	7.0%	7.5%
Salary scale	3.8%	1.9% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
Inflation rate	2.5%	2.5%

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

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2017	6/30/2016
Asset Type:		
Domestic equities	4.6%	6.1%
International equities	6.4%	7.3%
Private equity	7.8%	9.2%
Real estate	5.8%	5.4%
Absolute return strategies	4.0%	n/a
Alternative investments	n/a	n/a
Opportunistic portfolio	5.9%	n/a
Real assets	5.5%	n/a
Domestic fixed income	n/a	1.0%
Global fixed income	n/a	0.8%
Bonds and mortgages	1.3%	3.1%
Cash	-0.3%	n/a
Inflation-indexed bonds	1.5%	n/a
Short-term	n/a	0.1%

DISCOUNT RATE

The discount rate used to calculate the total pension liability was 7% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions form plan

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6% for ERS and 6.5% for TRS) or 1-percentagepoint higher (8% for ERS and 8.5% for TRS) than the current rate :

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (1,011,756)	\$ (316,787)	\$ 270,807
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (2,130,368)	\$ (163,281)	\$ 1,486,609

PENSION PLAN FIDUCIARY NET POSITION

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

	(Dollars in Thousands)		
	ERS	TRS	Total
	4/1/2016	6/30/2015	
Valuation date			
Employers' total pension asset/(liability)	\$ (177,400,586)	\$ (108,577,184)	\$ (285,977,770)
Plan Net Position	(168,004,363)	(107,506,142)	(275,510,505)
Employers' net pension asset/(liability)	\$ (9,396,223)	\$ (1,071,042)	\$ (10,467,265)
Ratio of plan net position to the			
Employers' total pension asset/(liability)	94.7%	99.0%	96.3%

PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$37,882.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$293,448.

NOTE 10 POST-EMPLOYMENT BENEFITS

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

Summary of Plan Provisions:

I ELIGIBILITY

Eligibility for OPEB is based on the respective rules of the New York State and Local Employees Retirement System (ERS) and the New York State Teachers Retirement System (TRS), as well as the provisions of the District's contracts with its employees. The following eligibility rules currently apply to District employees:

- Teachers: Eligibility for retirement under TRS.
- Support Staff: Eligibility for retirement under ERS.
- Exempt Staff: Eligibility for retirement under ERS.
- Principal: Eligibility for retirement under TRS/ERS; 25 years District service.
- Superintendent: Eligibility for retirement under TRS; 20 years District service for dental.

II COST-SHARING

Only medical benefits are offered to retirees on a District-subsidized basis. Upon attaining age 65, or upon disability retirement, Medicare (Parts A and B) becomes the primary provider for Hospital Insurance (HI) and Supplementary Medical Insurance (SMI), with CASEBP providing an additional layer of coverage. The District does not reimburse Medicare Part B premiums.

Annual Other Post Employment Benefits (OPEB) Cost and Net OPEB Obligation

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2010. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the District recognized \$53,856 for its share of insurance premiums for currently enrolled retirees.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

A.	Annual OPEB Cost and Net OPEB Obligation	
1.	Normal Cost	\$ 66,952
2.	Amortization Cost	<u>40,148</u>
3.	Annual Required Contribution (ARC) [1 + 2]	\$ 107,100
4.	Interest on Net OPEB Obligation	26,622
5.	Adjustment to ARC	<u>(19,942)</u>
6.	Annual OPEB Cost (Expense) [3 + 4 + 5]	\$ 113,780
7.	Contributions Made	<u>53,856</u>
8.	Increase in net OPEB Obligation [6 - 7]	\$ 59,924
9.	Net OPEB obligation—July 1, 2016	<u>532,437</u>
10.	Net OPEB obligation— June 30, 2017 [8 + 9]	<u><u>\$ 592,361</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 113,780	47%	\$ 592,361
6/30/2016	107,542	55%	532,437
6/30/2015	12,840	75%	483,815

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,071,907, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,071,907. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 5% discount rate and a payroll growth rate of 4%, and an annual healthcare cost trend rate of 5.60% initially, fluctuating annually using the Getzen Model to an ultimate rate of 3.94% after 30 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

LAURENS CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENT

NOTE 11 RISK MANAGEMENT

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

NOTE 12 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

None of the funds had an excess of actual expenditures over budget for the year:

NOTE 13 DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of student scholarships.

Donor-restricted endowments are reported at fair value. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 14 CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability:

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

Potential Liability to New York State:

The District has receives state aid revenue sharing and grants, which are subject to audit by New York State Comptroller's Office. Such audits may result in adjustments to revenues. Based on prior audits, the district's administration believes any adjustments will be immaterial.

NOTE 15 FUND BALANCE ADJUSTMENT

A fund balance adjustment of \$304,881 was recorded in the general and capital project funds. The effect of the adjustment was a decrease in fund balance of the general fund for \$304,881 and an increase of \$304,881 in the capital projects fund. The adjustment was made to account for a local share of capital projects funding that should have been transferred in earlier periods when the projects were completed. The adjustment was made to close out the fund balance of projects completed in previous years currently reporting a negative fund balance.

NOTE 16 TAX ABATEMENTS

The District does not have any property tax abatement agreements in place as of June 30, 2017. The District is not subject to any tax abatement agreements entered into by other governmental entities as of June 30, 2017.

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated subsequent events through the issuance date of the financial statements. None were considered material to the financial statements.

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**LAURENS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	\$ 2,653,934	\$ 2,653,934	\$ 2,194,374	\$ (459,560)
Other tax items	7,000	7,000	469,643	462,643
Charges for services	2,000	2,000	34,589	32,589
Use of money and property	500	500	862	362
Sale of property and compensation for loss	-	-	6,131	6,131
Miscellaneous	115,000	115,000	114,962	(38)
Interfund revenues	-	-	-	-
Total Local Sources	2,778,434	2,778,434	2,820,561	42,127
State Sources	6,372,187	6,372,187	6,167,179	(205,008)
Federal Sources	-	-	-	-
Total Revenues	9,150,621	9,150,621	8,987,740	(162,881)
OTHER FINANCING SOURCES				
Transfers from other funds	-	-	-	
Appropriated reserves	90,000	534,549		
Appropriated fund balance	347,615	347,615		
Total Revenues & Other Financing Sources	\$ 9,588,236	\$ 10,032,785	\$ 8,987,740	

See paragraph on supplementary schedules included in auditor's report

**LAURENS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 14,100	\$ 14,100	\$ 8,774	\$ -	\$ 5,326
Central administration	175,725	176,546	172,050	-	4,496
Finance	137,850	134,850	129,458	-	5,392
Staff	42,081	39,531	29,531	-	10,000
Central services	856,874	882,061	728,234	9,087	144,740
Special items	139,050	137,550	135,445	-	2,105
Total General Support	<u>1,365,680</u>	<u>1,384,638</u>	<u>1,203,492</u>	<u>9,087</u>	<u>172,059</u>
Instruction					
Instruction, administration and improvement	227,626	227,626	192,023	-	35,603
Teaching - regular school Programs for children with handicapping conditions	1,824,052	1,824,552	1,711,981	2,809	109,762
Occupational education	1,342,686	1,342,686	1,124,064	-	218,622
Teaching - special school	202,000	202,000	197,207	-	4,793
Instructional media	4,109	4,109	4,109	-	-
Pupil services	208,975	209,275	202,097	2,413	4,765
Total Instruction	<u>397,527</u>	<u>400,555</u>	<u>381,939</u>	<u>41</u>	<u>18,575</u>
Total Expenditures	4,206,975	4,210,803	3,813,420	5,263	392,120
Pupil Transportation	489,960	611,723	549,132	7,757	54,834
Community services	5,348	5,348	3,707	-	1,641
Employee Benefits	2,001,900	2,001,900	1,812,536	-	189,364
Debt Service	1,410,873	1,410,873	1,382,564	-	28,309
Capital Outlay	65,000	65,000	65,000	-	-
Total Expenditures	<u>9,545,736</u>	<u>9,690,285</u>	<u>8,829,851</u>	<u>22,107</u>	<u>838,327</u>
OTHER FINANCING USES					
Transfers to other funds	42,500	342,500	319,486	-	23,014
Total Expenditures and Other Uses	<u>\$ 9,588,236</u>	<u>\$10,032,785</u>	<u>\$ 9,149,337</u>	<u>\$ 22,107</u>	<u>\$ 861,341</u>
Net change in fund balances			(161,597)		
Fund balance - beginning			3,709,874		
Other changes in fund balance			(304,881)		
Fund balance - ending			<u>\$ 3,243,396</u>		

See paragraph on supplementary schedules included in auditor's report

**LAURENS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll (AAL) ((b-a)/c)
7/1/2016	\$ -	\$ 1,071,907	\$ 1,071,907	0%	\$3,229,291	33.2%
7/1/2015	-	1,014,841	1,014,841	0%	3,176,616	31.9%
7/1/2014	-	1,315,729	1,315,729	0%	3,433,128	38.3%
7/1/2013	-	1,252,982	1,252,982	0%	3,095,344	40.5%
7/1/2012	-	1,196,493	1,196,493	0%	3,066,685	39.0%
1/1/2012	-	2,871,546	2,871,546	0%	2,151,649	133.5%
1/1/2011	-	2,752,865	2,752,865	0%	2,957,816	93.1%
1/1/2009	-	2,580,500	2,580,500	0%	n/a	n/a

See paragraph on supplementary schedules included in auditor's report

**LAURENS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

NYSLRS PENSION PLAN

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
District's proportion of the net pension liability (asset)	0.0034%	0.0037%	0.0038%
District's proportionate share of the net pension liability (asset)	\$ 316,787	\$ 589,623	\$ 128,546
District's covered-employee payroll	\$ 1,008,066	\$ 989,984	\$ 971,677
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.43%	59.56%	13.23%
Plan fiduciary net position as a percentage of total pension liability	94.70%	90.70%	97.90%

TRS PENSION PLAN

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
District's proportion of the net pension liability (asset)	0.0152%	0.0150%	0.0150%
District's proportionate share of the net pension liability (asset)	\$ 163,281	\$(1,554,363)	\$(1,667,822)
District's covered-employee payroll	\$ 2,352,466	\$ 2,247,912	\$ 2,211,643
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.94%	-69.15%	-75.41%
Plan fiduciary net position as a percentage of total pension liability	99.01%	110.46%	111.50%

See paragraph on supplementary schedules included in auditor's report

**LAURENS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS**

FOR THE YEAR ENDED JUNE 30, 2017

NYSLRS PENSION PLAN

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 144,417	\$ 174,699	\$ 191,197
Contributions in relation to the contractually required contribution	<u>\$ 144,417</u>	<u>\$ 174,699</u>	<u>\$ 191,197</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,008,066	\$ 989,984	\$ 971,677
Contributions as a percentage of covered-employee payroll	14.33%	17.65%	19.68%

TRS PENSION PLAN

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 311,937	\$ 394,059	\$ 359,392
Contributions in relation to the contractually required contribution	<u>\$ 311,937</u>	<u>\$ 394,059</u>	<u>\$ 359,392</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,352,466	\$ 2,247,912	\$ 2,211,643
Contributions as a percentage of covered-employee payroll	13.26%	17.53%	16.25%

See paragraph on supplementary schedules included in auditor's report

**LAURENS CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted Budget		\$ 9,588,236
Add: Prior year's encumbrances		22,786
Original budget		9,611,022
Budget revisions:		
Capital Reserve		300,000
Bus Reserve		121,763
Final budget		\$ 10,032,785

SECTION 1318 REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget		\$ 9,732,121
Maximum allowed (4% of 2016-17 budget)		389,285
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	322,215	
Unassigned fund balance	389,285	711,500
Less:		
Appropriated fund balance	300,108	
Encumbrances included in assigned fund balance	22,107	322,215
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		\$ 389,285
Actual Percentage		4.00%

See paragraph on supplementary schedules included in auditor's report

**LAURENS CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING
RESOURCES**

FOR THE YEAR ENDED JUNE 30, 2017

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Building Project 2017	\$ 2,140,000	2,140,000	25,300	116,332	141,632	\$ 1,998,368
Gas and Diesel Tanks 2017	20,000	20,000	-	13,570	13,570	6,430
Smart School Bond Act 2016	480,720	480,720	39,321	391,733	431,054	49,666
Computer Lab 2017-18	100,000	100,000	-	8,400	8,400	91,600
Main Controllers 2016-17	65,000	65,000	5,464	53,040	58,504	6,496
	<u>\$ 2,912,359</u>	<u>2,916,291</u>	<u>180,656</u>	<u>583,075</u>	<u>763,731</u>	<u>2,152,560</u>

PROJECT TITLE	Methods of Financing				Fund
	Proceeds of Obligations	State Aid	Local Sources	Total	Balance 6/30/2017
Building Project 2017	\$ -	-	300,000	300,000	\$ 158,368
Gas and Diesel Tanks 2017	-	-	-	-	(13,570)
Smart School Bond Act 2016	-	394,543	-	394,543	(36,511)
Computer Lab 2017-18	-	-	-	-	(8,400)
Main Controllers 2016-17	-	-	58,504	58,504	-
	<u>\$ -</u>	<u>394,543</u>	<u>469,075</u>	<u>863,618</u>	<u>\$ 99,887</u>

See paragraph on supplementary schedules included in auditor's report

**LAURENS CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

AT JUNE 30, 2017

Capital assets, net		\$ 19,852,568
Add:		
Unamortized bond issuance costs	16,015	
Defeasance loss	<u>722,286</u>	<u>738,301</u>
Deduct:		
Unamortized premium on bonds payable	(421,386)	
Short-term portion of bonds payable	(1,020,000)	
Long-term portion of bonds payable	<u>(11,450,000)</u>	<u>(12,891,386)</u>
Investment in capital assets, net of related debt		<u>\$ 7,699,483</u>

See paragraph on supplementary schedules included in auditor's report

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

To the Board of Education
Laurens Central School District
Laurens, NY

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurens Central School 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*.

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

(continued)

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.

Cwynar, Company

September 29, 2017
Norwich, NY

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Extraclassroom Activity Funds of
Laurens Central School District

We have audited the accompanying statement of assets, liabilities and fund balance arising from cash transactions - cash basis and the statement of revenues collected and expenses paid of the Extraclassroom Activity Funds of Laurens Central School District for the year ended June 30, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective statement of assets, liabilities and fund balance arising from cash transactions - cash basis of the Extraclassroom Activity Funds of Laurens Central School District as of June 30, 2017, and the respective statement of revenues collected and expenses paid - cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Basis of Accounting

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

Crynan, & Company

Norwich, New York
September 29, 2017

**LAURENS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE ARISING FROM CASH
TRANSACTIONS – CASH BASIS**

JUNE 30, 2017

ASSETS

Cash in checking	<u>\$ 68,761</u>
	<u><u>\$ 68,761</u></u>

LIABILITIES AND FUND BALANCE

Fund balance	<u>\$ 68,761</u>
	<u><u>\$ 68,761</u></u>

See independent auditor's report
The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID**

JUNE 30, 2017

<u>Activity</u>	<u>Balance July 1, 2016</u>	<u>Total Receipts</u>	<u>Total Disbursements</u>	<u>Balance June 30, 2017</u>
Art Club	\$ 701	721	132	\$ 1,290
Chamber Singers	21	-	-	21
Chorus	470	1,848	967	1,351
Class of 2016	541	478	1,017	2
Class of 2017	10,486	11,902	21,144	1,244
Class of 2018	5,694	6,312	4,196	7,810
Class of 2019	5,532	4,962	2,924	7,570
Class of 2020	2,036	1,753	200	3,589
Class of 2021	2,302	3,678	963	5,017
Class of 2022	-	4,583	2,611	1,972
Colorguard	3,345	5,715	4,508	4,552
Concert Band	58	64	42	80
Drama Club	3,627	1,930	1,156	4,401
Forensics	235	-	-	235
French Club	491	493	48	936
Garden Club	702	145	521	326
Jazz Ensemble	3,338	-	165	3,173
Key Club	2,303	965	1,940	1,328
Marching Band	6,462	3,252	4,150	5,564
Media Club	501	-	16	485
NHS	10	301	297	14
NHJHS	95	176	155	116
Odyssey of the Mind	925	146	471	600
SADD	2,502	-	-	2,502
Safety Patrol	688	15,460	14,274	1,874
Sales Tax	1,386	2,034	2,882	538
Spanish Club	1,463	683	504	1,642
Student Council	344	430	422	352
TREPS	308	458	478	288
Varsity Club	4,875	13,183	12,719	5,339
Yearbook	3,446	7,805	6,701	4,550
Totals	\$ 64,887	89,477	85,603	\$ 68,761

See independent auditor's report

The notes to the financial statements are an integral part of this statement

**LAURENS CENTRAL SCHOOL DISTRICT
NOTE TO THE FINANCIAL STATEMENT**

NOTE 1 ACCOUNTING POLICY

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Laurens Central School District. Consequently, such transactions are not included in the financial statements of the School District.

The accounts of the Extraclassroom Activity Fund of the Laurens Central School District are maintained on a cash basis, and the statement of cash receipts, disbursements and transfers reflects only cash received, disbursed, and transferred between funds. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.