

**FORT EDWARD UNION FREE SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2019**

FORT EDWARD UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Fort Edward Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fort Edward Union Free School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fort Edward Union Free School District as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1-A7, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of district contributions on page C5 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Edward Union Free School District's basic financial statements. The supplemental information on pages D1 – D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Queensbury, NY
October 15, 2019

FORT EDWARD UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2019

The following discussion and analysis of the Fort Edward Union Free School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2019. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements; we encourage readers to consider the information presented here, in conjunction with information provided in the financial statements.

Financial Highlights

- The District's financial status decreased during the 2018-2019 school year. Total net position decreased by \$1,074,609 over the course of the year.
- Overall general fund revenues were \$11 million, approximately \$2 million less than expenses.
- The District's fund level financial statements show that the General Fund had an excess of expenditures over revenues of \$2,093,018, mostly due to the GE tax certiorari settlement. During the 2018-19 fiscal year, the district paid \$222,737 to Washington County and recognized its accrued judgement and claim liability in the amount of \$1,765,375 as due and payable.
- The District's real property taxes have included taxes levied on improvements installed by GE for the purpose of removing PCB sediments from the Hudson River under a consent order with the EPA. GE challenged the assessed values of these improvements. WCC, LLC is the current owner of the property and, like GE, has challenged the assessed values. Thereby, in the 2018-19 year, the District issued the aforementioned settlement check and recognized the aforementioned liability; it has also increased the Tax Certiorari Reserve by \$300,000.

Overview of the Financial Statements

The District's annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and the supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
 - 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 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 and supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

FORT EDWARD UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2019

District-wide Statements

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

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

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. retirement system liabilities and earned but unused vacation leave).

The District-wide financial statements can be found on pages B1 and B2 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 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 District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$4.1 million at the close of the most recent fiscal year.

Net position (in thousands of dollars)

<u>Governmental Activities</u>	<u>6/30/19</u>	<u>6/30/18</u>
Current and other assets	\$ 5,539	\$ 4,074
Capital assets	11,708	10,779
Net pension asset	460	214
Total assets	\$ 17,707	\$ 15,067
Deferred Outflows of Resources	\$ 7,914	\$ 8,181
Current liabilities	\$ 8,056	\$ 2,998
Long-term liabilities	19,654	22,140
Net pension liability	141	65
Total liabilities	\$ 27,851	\$ 25,203
Deferred Inflows of Resources	\$ 1,835	\$ 1,439
Net position		
Net investment in capital assets	\$ 6,882	\$ 6,084
Restricted	4,346	1,164
Unrestricted	(15,293)	(10,642)
Total net position	\$ (4,065)	\$ (3,394)

The District has earmarked funds for the following purposes:

- *Appropriated fund equity of \$289,964.* The District has designated this portion for the subsequent year to reduce the tax levy.
- *Reserve for encumbrances of \$2,208.* Net position within the General fund is reserved to pay for commitments at June 30 that will be reappropriated during the subsequent fiscal year.
- *Tax Certiorari Reserve \$639,121.* The District will use funds to pay for future potential certiorari claims.
- *Reserve for Employee Benefit Accrued Liabilities of \$300,000.* The District will use these funds to pay accrued employee benefits due upon termination of the employee's service.
- *Reserve for Unemployment Insurance of \$54,921.* The District will use this to pay for unemployment claims.
- *Retirement Contribution Reserve of \$127,448.* The District will use these funds to pay retirement incentives.
- *Insurance Reserve of \$27,000.* The District will use the funds to pay insurance claims.
- *Reserve for Debt of \$252,974.* The District will use the funds to pay debt.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

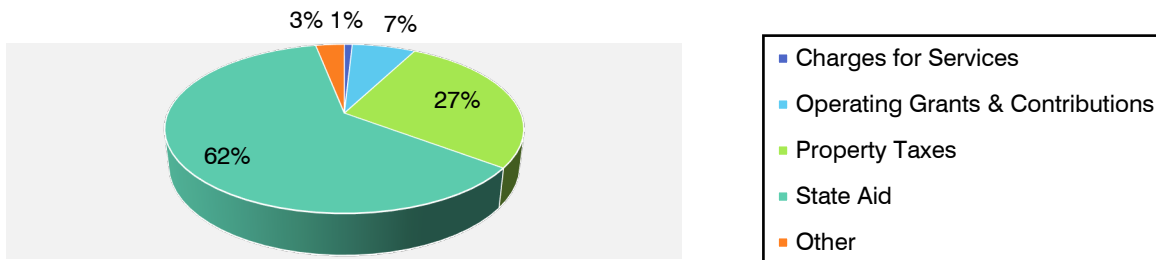
District-wide Financial Analysis

- *Workers Comp Reserve of \$30,000.* The district will use these funds to pay for Workers Compensation and related benefits.
- *Capital Projects Funds of \$2,901,940.* The district will use these funds for capital project expenditures.
- *Debt Service Funds of \$12,443.* The district will use these funds for debt service expenditures.

Statement of Activities (in thousands of dollars)

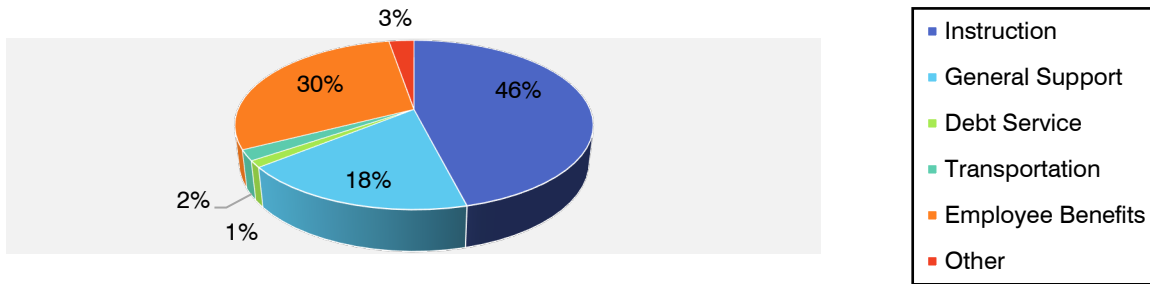
Revenues	<u>2019</u>	<u>2018</u>
Program revenues		
Charges for services	\$ 103	\$ 105
Operating grants	819	824
General revenues		
Property taxes	3,312	3,260
State aid	7,414	7,082
Other	<u>369</u>	<u>353</u>
Total Revenues	\$ <u>12,017</u>	\$ <u>11,624</u>
Expenses		
Instruction	\$ 6,026	\$ 6,114
General support	2,378	4,829
Debt service	167	165
Transportation	268	308
Employee benefits	3,899	3,854
Other	<u>353</u>	<u>804</u>
Total Expenses	\$ <u>13,091</u>	\$ <u>16,074</u>
Increase (decrease) in net position	\$ <u>(1,074)</u>	\$ <u>(4,450)</u>

Sources of Revenues for Fiscal Year 2019



**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

Expenses for Fiscal Year 2019



Revenue

In the 2018-19 year, revenue increased by \$392,925, or 3.4%. State aid increased by \$332,430 or 4.7%. Overall property taxes increased by \$51,374. Operating grants decreased by \$4,569 which was primarily due to decreased funding related to federal awards.

Charges for services includes tuition for out of district students enrolled in special education programs in the District. Students are enrolled as space is available. In 2018-19 there were less students from other districts being serviced by the District.

Use of Money and Property increased due to the District's lease with New Meadows, Inc. for classrooms to accommodate their pre-school program and a BOCES lease to rent classroom space for the 2018-19 school year.

Expenses

The District as a whole had a decrease in expenses of \$2,982,230 or 18.6% compared to 2018. General Support decreased by \$2,450,664.

Financial Analysis of The District's Funds

As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General fund is the chief operating fund of the District. At the end of the fiscal year, cash and investments totaled \$1,051,673, comprising 34.6% of total assets for the General Fund. These funds are held to fund reserves established by the District. The district had a negative unassigned fund balance in the amount of \$1,765,375 due to the maturity of the liability associated with the GE tax certiorari proceedings. The district is in the process of borrowing to assist with payment over the course of 10-15 years, and is in contact with a fiscal advisor.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

General Fund Budgetary Highlights

During the year, final revenues were under the revised budgetary estimates by \$29,047, primarily due to estimated State aid. Expenditures and encumbrances exceeded revised budgetary estimates by \$1.7 million or 14.5%, due to the maturity of the liability associated with the GE tax certiorari proceedings.

Real Property Taxes and Tax Items showed unbudgeted interest and penalties collected from taxpayers. Charges for Services includes additional revenue for special education students served at Fort Edward that reside in other Districts.

The District amended the budget to account for real property tax refunds of \$222,737 paid during the year ended June 30, 2019.

General Support was over budget by \$1,759,647 mainly due to the maturity of the liability associated with the GE tax certiorari proceedings. Overall Instruction was under budget by \$71,631 which was mainly due to Programs for Students with Disabilities being underspent by \$44,919.

Capital Asset and Debt Administration

Capital Assets

By the end of 2019, the District had invested \$11.7 million, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$433 thousand while additions to construction in progress amounted to \$1.4 million.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2019 and 2018:

	<u>6/30/19</u>	<u>6/30/18</u>
Land	\$ 8,731	\$ 8,731
Construction in progress	1,712,425	349,921
Buildings and improvements	9,724,129	10,113,741
Furniture and equipment	<u>262,901</u>	<u>306,612</u>
Total Capital Assets, Net of Depreciation	<u>\$ 11,708,186</u>	<u>\$ 10,779,005</u>

Long Term Debt

At June 30, 2019, the District had \$20.7 million in general obligation bonds and other long-term debt outstanding, which is consistent with last year. More detailed information about the District's long-term liabilities is presented in Note 2.B.II. to the financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

Long Term Debt

The following summarizes long-term liabilities at June 30, 2019 and 2018:

	<u>6/30/19</u>	<u>6/30/18</u>
Serial Bonds	\$ 3,680,000	\$ 4,555,000
Other Postemployment Benefits	15,893,264	15,674,734
Compensated Absences	980,951	898,360
Accrued Judgements and Claims	-	1,887,000
Net Pension Liability, Proportionate Share	<u>141,207</u>	<u>65,005</u>
 Total Long-Term Liabilities	 <u>\$ 20,695,422</u>	 <u>\$ 23,080,099</u>

Economic Factors and Next Year’s Budgets and Rates

The District’s objective is to maintain a quality education for our students. The financial challenges associated with this objective have been enhanced due to the economic burden resulting from the previously discussed WCC, LLC property tax litigation and its’ impact on future cash sources and, ultimately, the taxpayers of the District.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report, contact the Business Office, Fort Edward Union Free School District, at 220 Broadway, Fort Edward, New York 12828 (518)747-4872.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Current Assets	
Cash	\$ 289,058
Restricted Cash	3,330,601
Restricted Investments	623,012
Accounts Receivable	64,821
Due From Fiduciary Funds	424,212
State and Federal Aid Receivable	805,270
Inventories	1,999
Capital Assets, net	11,708,186
Net Pension Asset, Proportionate Share	460,010
Total Assets	17,707,169
Deferred Outflows of Resources	
Other Post Employment Benefits	5,223,514
Pensions	2,690,447
Total Deferred Outflows of Resources	7,913,961
Total Assets and Deferred Outflows of Resources	\$ 25,621,130

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 2,578,456
Accrued Liabilities	27,469
Due to Fiduciary Funds	6,357
Bond Interest Accrued	7,072
Due to Other Governments	582
Due to Teachers' Retirement System	485,599
Due to Employees' Retirement System	22,967
Refundable Advances	126,393
Bond Anticipation Notes	3,840,000
Retainage Payable	60,372
Long-Term Liabilities - Due and Payable Within One Year	
Bonds and Installment Debt	900,000
Long-Term Liabilities - Due and Payable After One Year	
Bonds and Installment Debt	2,780,000
Compensated Absences	980,951
Other Postemployment Benefits Payable	15,893,264
Net Pension Liability, Proportionate Share	141,207
Total Liabilities	27,850,689
Deferred Inflows of Resources	
Other Post Employment Benefits	1,072,818
Pensions	762,293
Total Deferred Inflows of Resources	1,835,111

NET POSITION

Net Investment in Capital Assets	6,882,527
Restricted	4,345,847
Unrestricted	(15,293,044)
Total Net Position	(4,064,670)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 25,621,130

See accompanying notes to financial statements.

B1.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS				
General support	\$ 2,377,929	\$ -	\$ -	\$ (2,377,929)
Instruction	6,026,462	70,703	537,945	(5,417,814)
Pupil transportation	267,562	-	-	(267,562)
Community service	10,100	-	-	(10,100)
Employee benefits	3,434,412	-	-	(3,434,412)
Debt service	167,313	-	-	(167,313)
Capital outlay	66,194	-	-	(66,194)
School lunch program	337,249	32,188	281,285	(23,776)
	<u>\$ 12,687,221</u>	<u>\$ 102,891</u>	<u>\$ 819,230</u>	<u>\$ (11,765,100)</u>
GENERAL REVENUES				
Real property taxes				2,579,755
Other tax items				731,992
Use of money and property				148,466
State sources				7,413,984
Federal sources				29,658
Miscellaneous				190,850
				<u>11,094,705</u>
Total General Revenues and Special Items				<u>11,094,705</u>
Change in Net Position				<u>(670,395)</u>
Total Net Position - Beginning of Year				<u>(3,394,275)</u>
Total Net Position - End of Year				<u>\$ (4,064,670)</u>

See accompanying notes to financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets						
Unrestricted Cash	\$ -	\$ 187,566	\$ 101,492	\$ -	\$ -	\$ 289,058
Restricted Cash	636,260	-	-	2,694,341	-	3,330,601
Temporary Investments						
Investments in Securities-Restricted	415,413	-	-	207,599	-	623,012
State and Federal Receivable, net	419,917	366,457	18,896	-	-	805,270
Due From Other Funds	1,504,240	18,945	73,081	23,760	12,443	1,632,469
Accounts Receivable	64,011	-	810	-	-	64,821
Inventories	-	-	1,999	-	-	1,999
Total Assets	\$ 3,039,841	\$ 572,968	\$ 196,278	\$ 2,925,700	\$ 12,443	\$ 6,747,230
Liabilities						
Accounts Payable	\$ 2,216,958	\$ 1,951	\$ 75,468	\$ 284,079	\$ -	\$ 2,578,456
Accrued Liabilities	27,469	-	-	-	-	27,469
Due to Other Funds	203,454	570,435	119,550	321,175	-	1,214,614
Due to Other Governments	-	582	-	-	-	582
Due to Teachers' Retirement System	485,599	-	-	-	-	485,599
Due to Employees' Retirement System	22,967	-	-	-	-	22,967
Refundable Advances	125,133	-	1,260	-	-	126,393
Bond Anticipation Notes Payable	-	-	-	3,840,000	-	3,840,000
Total Liabilities	3,081,580	572,968	196,278	4,445,254	-	8,296,080
Fund Equity						
Fund Equity:						
Non-spendable	-	-	1,999	-	-	1,999
Restricted	1,431,464	-	-	2,901,940	12,443	4,345,847
Committed	-	-	-	-	-	-
Assigned	292,172	-	-	-	-	292,172
Unassigned	(1,765,375)	-	(1,999)	(4,421,494)	-	(6,188,868)
Total Fund Equity	(41,739)	-	-	(1,519,554)	12,443	(1,548,850)
Total Liabilities and Fund Equity	\$ 3,039,841	\$ 572,968	\$ 196,278	\$ 2,925,700	\$ 12,443	\$ 6,747,230

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

Total Governmental Fund Equity per above	\$ (1,548,850)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,708,186
Accrued interest expense is reported under the accrual basis.	(7,072)
Long-term liabilities, including bonds payable, installment purchase debt, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(20,554,215)
Retainage Payable is not due and payable in the current period and, therefore, not reported in the funds	(60,372)
Net pension asset	460,010
Net pension liability	(141,207)
Deferred outflows of resources - OPEB	5,223,514
Deferred inflows of resources - OPEB	(1,072,818)
Deferred inflows of resources - pensions	(762,293)
Deferred outflows of resources - pensions	2,690,447
Net Position of Governmental Activities	\$ (4,064,670)

**FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues						
Real Property Taxes	\$ 2,579,755	\$ -	\$ -	\$ -	\$ -	\$ 2,579,755
Real Property Tax Items	731,992	-	-	-	-	731,992
Charges for Services	70,703	-	-	-	-	70,703
Use of Money and Property	135,914	-	109	-	-	136,023
Miscellaneous	190,850	-	-	-	-	190,850
State Sources	7,413,984	159,023	7,043	-	-	7,580,050
Federal Sources	29,658	378,922	274,242	-	-	682,822
Sales	-	-	32,188	-	-	32,188
Total Revenues	<u>11,152,856</u>	<u>537,945</u>	<u>313,582</u>	<u>-</u>	<u>-</u>	<u>12,004,383</u>
Expenditures						
General Support	3,080,129	-	-	-	-	3,080,129
Instruction	6,298,001	491,102	-	1,307	-	6,790,410
Pupil Transportation	255,091	-	-	-	-	255,091
Community Services	10,100	-	-	-	-	10,100
Employee Benefits	2,560,699	60,808	18,532	-	-	2,640,039
Debt Service	1,041,854	-	-	-	-	1,041,854
Cost of Sales	-	-	337,249	-	-	337,249
Capital Outlay	-	-	-	1,368,326	-	1,368,326
Total Expenditures	<u>13,245,874</u>	<u>551,910</u>	<u>355,781</u>	<u>1,369,633</u>	<u>-</u>	<u>15,523,198</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,093,018)</u>	<u>(13,965)</u>	<u>(42,199)</u>	<u>(1,369,633)</u>	<u>-</u>	<u>(3,518,815)</u>
Other Financing Sources And (Uses)						
Interfund Transfers, net	(87,046)	13,965	73,081	-	-	-
Bond and BAN Premium	-	-	-	-	12,443	12,443
Total Other Financing Sources (Uses)	<u>(87,046)</u>	<u>13,965</u>	<u>73,081</u>	<u>-</u>	<u>12,443</u>	<u>12,443</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>(2,180,064)</u>	<u>-</u>	<u>30,882</u>	<u>(1,369,633)</u>	<u>12,443</u>	<u>(3,506,372)</u>
Fund Equity, Beginning of Year	<u>2,138,325</u>	<u>-</u>	<u>(30,882)</u>	<u>(149,921)</u>	<u>-</u>	<u>1,957,522</u>
Fund Equity, End of Year	<u>\$ (41,739)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,519,554)</u>	<u>\$ 12,443</u>	<u>\$ (1,548,850)</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net changes in fund equity - total governmental funds	\$	(3,506,372)
<p>Capital outlays for the purchase of 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 expense in the statement of activities.</p>		
Depreciation expense	\$	(433,323)
Capital outlays		1,362,504
		929,181
<p>Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds. The increase in accrued interest increases expenses in the statement of activities.</p>		
		(459)
<p>Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		875,000
<p>Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:</p>		
Retainage	\$	(60,372)
Other Postemployment Benefits		(809,321)
Compensated Absences		(82,591)
Judgements and Claims		1,887,000
Adjustments for GASB 68 pension items		97,539
		1,032,255
Change in net position - governmental activities	\$	(670,395)

**FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

	Agency	Private Purpose Trusts
ASSETS		
Cash - unrestricted	\$ 133,965	\$ -
Cash - restricted	-	46,376
Temporary investments		
Investments in securities - unrestricted	310,508	-
Investments in securities - restricted	42,984	-
Due from other funds	6,357	-
Total Assets	\$ 493,814	\$ 46,376
LIABILITIES		
Other activity balances	\$ 18,240	\$ -
Extraclassroom activity balances	24,744	-
Due to other funds	424,212	-
Other liabilities	26,618	-
Total Liabilities	\$ 493,814	-
NET POSITION		
Reserved for scholarships		\$ 46,376

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 685
Investment earnings	356
Total Additions	1,041
DEDUCTIONS	
Scholarships and awards	1,150
Change in Net Position	(109)
Net Position - Beginning of year	46,485
Net Position - End of year	\$ 46,376

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Fort Edward Union Free School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District and its component unit. 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 review of an entity included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represents 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 and the cash and investment balances are reported in the Trust and Agency Fund of the District. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 220 Broadway, Fort Edward, New York. The District accounts for assets held as agent for various student organizations in the agency fund.

B. Joint Venture

The District is a component district of the Washington Saratoga Warren Hamilton Essex Counties 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.

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

BOCES are organized under Section 1950 of the 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 (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

During the year ended June 30, 2019, the District was billed \$2,028,016 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$506,845. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

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, if any, 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 the 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.

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.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

The District reports the following major funds:

I. Governmental Funds

General Fund

The General Fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Aid Fund

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

School Lunch Fund

Used to account for transactions of lunch and breakfast programs.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities and equipment.

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. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

II. Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and 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:

a. 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.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

II. Fiduciary Funds

b. 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 withholdings.

D. Basis of Accounting/Measurement Focus

General Information

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

The 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 one year 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, pensions, compensated absences, and postemployment benefits which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Refundable Advances/Overpayments and Collections in Advance

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 13, 2018. Taxes were collected during the period September 1 through November 5, 2018.

II. Enforcement

Uncollected real property taxes are subsequently enforced by Washington County in which the District is located. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the county to the District no later than the forthcoming April 1.

G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net 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.

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse during 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 located 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 which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the current year:

- \$222,737 Refund on Real Property Taxes from appropriated fund balance.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

- e. 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.
- f. Budgets are established and used for individual capital project 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.

II. 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 restrictions or assignments of fund equity and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized as the liability is incurred or the commitment is paid.

III. Budget Basis of Accounting

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

I. Cash and Investments

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

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts. Investments are stated at fair value. Certificates of deposit, if any, are classified as investments in these financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Accounts Receivable

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

K. Inventories

Inventories of food and supplies 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 which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

L. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of 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 2.A.II. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

M. Equity Classifications

District-wide Statements

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

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

District-wide Statements

Restricted net position - reports net position when constraints placed on the assets or deferred outflows 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 the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

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

Non-spendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$1,999.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund equity:

Employee Benefits Accrued Liabilities Reserve

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

Debt Service

According to General Municipal Law Section 6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligation that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvements. This reserve is accounted for in the General Fund and in the Debt Service Fund.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund Statements

Insurance

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

Retirement Contributions

According to General Municipal Law Section 6-r, this reserve 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. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

Tax Certiorari Reserve

According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari to be expended 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. This reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

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 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. This reserve is accounted for in the General Fund.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund Statements

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.

Restricted fund equity includes the following:

General Fund:	
Employee Benefits Accrued Liabilities	\$ 300,000
Debt	252,974
Insurance	27,000
Retirement Contribution - NYSERS	75,000
Retirement Contribution - NYSTRS	52,448
Tax Certiorari	639,121
Unemployment Insurance	54,921
Workers' Compensation	<u>30,000</u>
Total restricted fund equity – general fund	<u>1,431,464</u>
Capital Projects Fund:	
Capital Projects	<u>2,901,940</u>
Debt Service Fund:	
Debt Service	<u>12,443</u>
Total restricted fund equity	<u>\$ 4,345,847</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund equity as of June 30, 2019.

Assigned – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$2,208. Appropriated fund equity in the General Fund is \$289,964. The remaining fund equity in the other funds is also reported as assigned.

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 equity 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.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Purpose of Encumbrances

General Fund	
Instruction	\$ 2,208

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

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 District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity 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. The District did not exceed this limit at June 30, 2019.

Order of Use of Fund Equity:

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

Unassigned fund balance in the General Fund currently has a deficit of \$1,765,375 related to unpaid school taxes which the District owes to Washington County. The District is in the process of borrowing to assist with payment over the course of 10-15 years. The district is in contact with the fiscal advisor. See note 3.C for additional information regarding this liability.

Unassigned fund balance in the Capital Projects Fund currently has a deficit of \$4,421,494. This deficit will be relieved when the district issues a bond for the capital project.

N. Postemployment Benefits

In addition to providing the retirement benefits described in Note 2.B.I, the District provides postemployment health insurance coverage to its retired employees in accordance with the provisions of the employment contract negotiated between the District and its employee groups. Currently 46 retirees meet those eligibility requirements. See Note 4 for additional information related to postemployment benefits.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Capital Assets

Capital assets are reported at actual cost or estimated historical costs computed by an independent third party appraisal company (updated appraisal dated April 9, 2014) using computerized reverse-trending techniques applied against the estimate of current replacement cost. Donated assets, if any, are reported at estimated fair market value at the time received.

Land and construction in progress are not depreciated. Capitalization thresholds (the dollar amount 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>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life In Years</u>
Buildings and improvements	\$ 2,500	SL	50
Land improvements	2,500	SL	20
Furniture and equipment	2,500	SL	5-20
Vehicles	2,500	SL	8

P. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow 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 District has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in 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 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 proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems and OPEB subsequent to the measurement date. The fourth item relates to the OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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 two items that qualify for reporting in this category. The first represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. *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 RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The district did not issue or redeem any revenue or tax anticipation notes during the current year.

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 did not issue or redeem any budget notes during the current year.

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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The district issued a BAN totaling \$3,840,000 during the current year.

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. The District did not issue or redeem any deficiency notes during the current year.

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

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. *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 Equity of Governmental Funds vs. Net Position of Governmental Activities:

Total fund equity 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, as applied to the reporting of capital assets and long-term liabilities, including pensions.

b. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of five broad categories.

Long-Term Revenue and Expense Differences

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

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 an asset on the Statement of Net Position and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. *Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements*

Pension Differences

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

OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

T. *Use of Estimates*

The preparation of financial statements in conformity with GAAP 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, postemployment benefits, net pension asset/liability, potential contingent liabilities, liabilities for tax certiorari claims, deferred inflows/outflows, and useful lives of long-term assets.

U. *Vested Employee Benefits*

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

Throughout the 2018-2019 fiscal year, 46 retired employees have elected to use accumulated sick pay to finance health insurance payments under the District's group plan. The District pays between 50% - 95% of the cost of premiums for teachers, their spouse, and family. For teachers who do not elect to retire in their first year of eligibility, the district will pay 65% of the premium for their spouse or family. The district will pay 55% of the premiums for support staff and 50% for their spouse. When the accumulated sick pay amount is exhausted, the insurance payments become the responsibility of the retiree.

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

V. Implementation of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following new standards issued by GASB:

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2019.

W. Future Changes in Accounting Standards

GASB has issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2021.

GASB has issued Statement 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2020.

GASB has issued Statement 91 *Conduit Debt Obligations* effective for the year ending June 30, 2022.

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

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2019, all of the District's deposits were fully insured and collateralized by the District's agent in the District's name.

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

The District participates in CLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2019, the District held \$976,504 in investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments:

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Total investments of the cooperative as of year-end are \$2,256,570,644, which consisted of \$350,918,796 in repurchase agreements and \$1,905,651,848 in U.S. Government Treasury Securities.

<u>Investments in Securities at Value</u>	<u>Valuation Inputs</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
General Fund	\$ -	\$ 152,819	\$ -	\$ 152,819
Reserve Fund	-	262,594	-	262,594
Trust & Agency	-	353,492	-	353,492
Debt Service Fund	-	<u>207,599</u>	-	<u>207,599</u>
TOTAL	<u>\$ -</u>	<u>\$ 976,504</u>	<u>\$ -</u>	<u>\$ 976,504</u>

The above amounts represent the fair value of the investment pool shares. For the year ended June 30, 2019, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statement of net position.

Restricted Cash and Investments

Restricted cash and investments at June 30, 2019 in the General Fund consists of \$1,051,673 which is restricted for reserves.

Restricted cash and investments at June 30, 2019 in the Capital Projects Fund consists of \$2,901,940 which is restricted for capital projects.

Restricted cash at June 30, 2019 in the Fiduciary Funds includes \$42,984 restricted for Extraclassroom Activity Funds, and \$46,376 restricted for scholarships.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund balances at June 30, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,504,240	\$ 203,454	\$ -	\$ 87,046
Special Aid Fund	18,945	570,435	13,965	-
School Lunch Fund	73,081	119,550	73,081	-
Capital Fund	23,760	321,175	-	-
Debt Service Fund	12,443	-	-	-
Total Government Activities	<u>1,632,469</u>	<u>1,214,614</u>	<u>87,046</u>	<u>87,046</u>
Fiduciary Fund	<u>6,357</u>	<u>424,212</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,638,826</u>	<u>\$ 1,638,826</u>	<u>\$ 87,046</u>	<u>\$ 87,046</u>

III. Capital Assets

Capital asset balances for the year ended June 30, are as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance June 30</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 8,731	\$ -	\$ -	\$ 8,731
Construction in progress	349,921	1,362,504	-	1,712,425
Total nondepreciable historical cost	<u>358,652</u>	<u>1,362,504</u>	<u>-</u>	<u>1,721,156</u>
Capital assets that are depreciated:				
Buildings and improvements	17,899,649	-	-	17,899,649
Furniture, equipment, and vehicles	1,698,334	-	-	1,698,334
Total depreciable historical cost	<u>19,597,983</u>	<u>-</u>	<u>-</u>	<u>19,597,983</u>
Less accumulated depreciation:				
Buildings and improvements	7,785,908	389,612	-	8,175,520
Furniture, equipment, and vehicles	1,391,722	43,711	-	1,435,433
Total accumulated depreciation	<u>9,177,630</u>	<u>433,323</u>	<u>-</u>	<u>9,610,953</u>
Total Capital Assets, Net	<u>\$ 10,779,005</u>	<u>\$ 929,181</u>	<u>\$ -</u>	<u>\$ 11,708,186</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

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

General Support	\$ 37,723
Instruction	383,129
Pupil Transportation	<u>12,471</u>
Total	<u>\$ 433,323</u>

B. Liabilities

I. Pension Plans

General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems". 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.

Plan Descriptions

Teachers' Retirement System

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). 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. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% 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 ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2018-19	\$ 93,889	\$ 456,487
2017-18	85,681	523,748
2016-17	90,958	524,195

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Liabilities

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of 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	April 1, 2018	June 30, 2017
Net pension asset/(liability)	\$(141,207)	\$460,010
District's portion of the Plan's total net pension asset/(liability)	.0019930%	.025439%

Pension Expense

For the year ended June 30, 2019, the District recognized its proportionate share of pension expense of \$92,486 for ERS and \$356,560 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District 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 experiences	\$ 27,807	\$ 343,761	\$ 9,479	\$ 62,269
Changes of assumptions	35,494	1,608,035	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	36,242	510,646
Changes in proportion and differences between contributions and proportionate share of contributions	17,955	177,940	12,159	131,498
Contributions subsequent to the measurement date	<u>22,968</u>	<u>456,487</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 104,224</u>	<u>\$ 2,586,223</u>	<u>\$ 57,880</u>	<u>\$ 704,413</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2020 for ERS and June 30, 2019 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	<u>ERS</u>	<u>TRS</u>
2019	\$ -	\$ 464,586
2020	28,715	316,552
2021	(26,597)	36,517
2022	(602)	315,468
2023	21,860	214,651
Thereafter	-	77,549

Actuarial Assumptions

The total pension asset/(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 asset/(liability) to the measurement date. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest Rate	7.0%	7.25%
Salary Scale	4.2%	1.9% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.25%
Projected Cost of Living Adjustments	1.3% annually	1.5% annually

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 MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

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

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
	<u>2019</u>	<u>2019</u>
Asset Class:		
Domestic equities	36 %	4.55 %
International equities	14	6.35
Private equity	10	7.50
Real estate	10	5.55
Absolute return strategies (1)	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-Indexed bonds	4	1.25
Total	<u>100</u> %	

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2019.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

<u>TRS</u>	<u>Target Allocation</u>		<u>Long-term expected real rate of return*</u>	
	<u>2018</u>		<u>2018</u>	
Asset Class:				
Domestic equities	33	%	5.8	%
International equities	16		7.3	
Global equities	4		6.7	
Real estate	11		4.9	
Private equities	8		8.9	
Domestic fixed income securities	16		1.3	
Global fixed income securities	2		0.9	
Private debt	1		6.8	
Real estate debt	7		2.8	
High-yield fixed income securities	1		3.5	
Short-term	1		0.3	
Total	<u>100</u>	%		

* Real rates of return are net of the long-term inflation assumption of 2.25% for 2018.

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2019 using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.25% for TRS) or 1-percentage-point higher (8% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset/(liability)	\$ (617,381)	\$ (141,207)	\$ 258,812
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset/(liability)	\$ (3,160,341)	\$ 460,010	\$ 3,492,857

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings of pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2019 is \$92,534 for ERS and \$360,515 for TRS.

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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$22,967.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$485,599.

Other Benefits

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

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Short-Term Debt

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

Interest paid	\$ 23,760
Less: Interest accrued in the prior year	(651)
Plus: Interest accrued in the current year	<u>2,104</u>
Total expense	<u>\$ 25,213</u>

II. Indebtedness

Changes in Short-Term Debt

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30</u>
BAN	6/20/19	1.98%	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -
BAN	6/19/20	2.00%	<u>-</u>	<u>3,840,000</u>	<u>-</u>	<u>3,840,000</u>
			<u>\$ -</u>	<u>\$ 3,840,000</u>	<u>\$ -</u>	<u>\$ 3,840,000</u>

Long-Term Debt

Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District recognized \$143,094 of expenditures for serial and statutory bond debt interest in the general fund.

Interest on long-term debt was comprised of:

Interest paid	\$ 143,094
Less interest accrued in the prior year	(5,962)
Plus interest accrued in the current year	<u>4,968</u>
Total expense	<u>\$ 142,100</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Changes

The changes in indebtedness during the year ended June 30, 2019 are summarized as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental activities:				
Bonds and notes payable				
General obligation debt:				
Serial Bonds	\$ 4,555,000	\$ -	\$ (875,000)	\$ 3,680,000
Other liabilities:				
Compensated absences	898,360	82,591	-	980,951
Accrued judgements and claims	1,887,000	-	(1,887,000)	-
Other postemployment benefits payable	15,674,734	1,173,984	(955,454)	15,893,264
Net pension liability proportionate share	<u>65,005</u>	<u>76,202</u>	<u>-</u>	<u>141,207</u>
Total other liabilities	<u>18,525,099</u>	<u>1,332,777</u>	<u>(2,842,454)</u>	<u>17,015,422</u>
Total long-term liabilities	<u>\$ 23,080,099</u>	<u>\$ 1,332,777</u>	<u>\$ (3,717,454)</u>	<u>\$ 20,695,422</u>

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

The above balances are liquidated by the general fund.

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Serial Bonds:				
Capital Projects Serial Bonds	2010	2025	1.75 - 3.75%	\$ 2,910,000
School District Refunding Bonds	2014	2021	2.0%	<u>770,000</u>
				<u>\$ 3,680,000</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	900,000	119,219	1,019,219
2021	765,000	94,619	859,619
2022	475,000	72,494	547,494
2023	495,000	55,869	550,869
2024-2025	1,045,000	58,420	1,103,420
Total	<u>\$ 3,680,000</u>	<u>\$ 400,621</u>	<u>\$ 4,080,621</u>

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2019, the District has exhausted 38.68% of its constitutional debt limit.

3. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is an intervening party in Real Property Tax Law Article 7 tax certiorari proceedings seeking to reduce the final assessment on the petitioners' property. Due to the uncertainty of outcomes of pending proceedings, an estimate of any potential financial effects cannot be made.

B. Risk Financing and Related Insurance

General Information

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

3. COMMITMENTS AND CONTINGENCIES

B. Risk Financing and Related Insurance

Workers' Compensation Pool

The District participates in the Southern Adirondack Public Schools Workers' Compensation plan administered by the Board of Directors which is composed of the chief executive officer or other designated officer of the districts participating in Washington-Saratoga-Warren-Hamilton-Essex BOCES. Participants of the plan are required to make their current year contributions on July 15 and October 15 of each plan year. The plan year is July 1 through June 30. The Board may retain surplus to establish and maintain a claim contingency fund. If sufficient funds are not available the Board will determine the amount to be assessed to the participants. For the year ended June 30, 2019, \$35,735 was paid to the plan for workers' compensation premiums.

Health Insurance Consortium

The District participates in the Washington-Saratoga-Warren. Hamilton-Essex Counties Health Insurance Consortium Trust, a non-risk-retained public entity risk pool for its employee health insurance coverage. The Health Insurance Consortium Trust is operated for the benefit of thirty School District/BOCES Members located in the counties of Washington, Saratoga, Warren, Hamilton and Essex, New York. The purpose of the Health Insurance Consortium Trust is to enable the member School/BOCES Districts to purchase group health insurance pursuant to New York State Insurance Law Section 4235.

C. Other Items

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.

Refund on Real Property

1. A District taxpayer has challenged its' assessed property value and has not paid their school tax bills for the 2016-17 and 2017-18 school years. Uncollected real property taxes are subsequently enforced by Washington County. The County pays an amount representing uncollected real property taxes transmitted to it for enforcement ("make whole payment" to the district no later than the following April 1. The District may be liable to refund the County some or all of the school taxes collected on the original assessments if, according to the District's legal counsel, the said assessments are reduced by settlement or judgment or if the County cancels the underlying tax liens it has placed on properties in question. The total liability to the District is \$1,765,375. Management has accrued the judgment liability totaling \$1,765,375 which is reflected in the District's Statement of Net Position. At the fund level, the financial statements reflect the Board's restriction of General Fund fund balance (tax certiorari reserve) totaling \$639,121. The District plans on using \$495,375 to be used towards this liability. The District plans to borrow \$1,270,000 to make full payment to the County.
2. The District has signed six contracts for existing construction projects totaling \$3,071,495. Through the year ended June 30, 2019, \$1,147,075 has been expended on said contracts.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

A. Liabilities

I. Post Employment Benefits

Plan Description

The Fort Edward Union Free School District (the 'District') administers as a single-employer defined benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the Plan members, employer and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement.

Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) enrolled in District provided health care at time of retirement, 3) must reach age 55 (earlier if disabled) and 4) there is no service requirement for Tier 1 employees and a 5 year service requirement for Tiers 2, 3 and 4 (ERS and TRS). The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2019, approximately \$328,000 was paid on behalf of 70 retirees.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	46
Inactive plan members entitled to but not yet receiving benefit payments	-0-
Active plan members	<u>70</u>
Total plan members	<u>116</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

B. Liabilities

I. Post Employment Benefits

Net OPEB Liability

The District's total OPEB liability was measured as of July 1, 2018; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

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

Inflation	2.60% (Based on CPI-2016 OASDI Trustee Report)
Salary increases	3.0% (including inflation)
Discount rate	3.87% (Bond Buyer GO-20 municipal bond index rate)
Healthcare cost trend rates	
Pre-Medicare	8.0% for 2019 decreasing 0.5% per year to an ultimate rate of 5.00% by 2026.
Medicare	N/A

Actuarial Assumptions and Other Inputs

Mortality rates were based on RP-2014 mortality table with mortality projected to the current year using Scale MP-2014 to account for mortality improvement.

Retirement participation rate assumed that 100% of all newly-retiring employees with health insurance elect to keep their health insurance when they retire and when they turn 65.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System. Rate are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

B. Liabilities

I. Post Employment Benefits

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability [a]	Plan Fiduciary Net Position [b]	Net OPEB Liability [a] - [b]
Balances at June 30, 2018	<u>\$15,674,734</u>	<u>\$ -</u>	<u>\$ 15,674,734</u>
Changes for the year:			
Service cost	605,173	-	605,173
Interest	568,811	-	568,811
Difference between expected and actual experience	-	-	-
Contributions – employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	(601,412)	-	(601,412)
Benefit payments	(354,042)	-	(354,042)
Administrative expense	-	-	-
Net changes	<u>218,530</u>	<u>-</u>	<u>218,530</u>
Balances, June 30, 2019	<u>\$ 15,893,264</u>	<u>\$ -</u>	<u>\$ 15,893,264</u>

Changes of assumptions reflect changes in inputs including a change in the discount rate from 3.60% in 2018 to a 3.87% for the July 1, 2018 valuation.

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 19,168,082	\$ 15,893,264	\$ 13,634,758

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

B. Liabilities

I. Post Employment Benefits

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0% decreasing to 4.0%) or 1 percentage point higher (9.0% decreasing to 6.0%) than the current healthcare cost trend rate:

	1% Decrease (7.0% Decreasing to <u>4.0%</u>)	Healthcare Cost Trend Rate (8.0% Decreasing to <u>5.0%</u>)	1% Increase (9.0% Decreasing to <u>6.0%</u>)
Total OPEB Liability	\$ 13,655,415	\$ 15,893,264	\$ 19,069,152

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,951,238. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,858,851	\$ -
Changes of assumptions	-	(1,072,818)
Contributions subsequent to the measurement period	<u>364,663</u>	<u>-</u>
Total	<u>\$ 5,223,514</u>	<u>\$ (1,072,818)</u>

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

<u>Year Ending June 30,</u>	
2019	\$ 777,254
2020	777,254
2021	777,254
2022	777,254
2023	777,254
2024	(100,237)

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. TAX ABATEMENTS

The County of Washington (Counties of Warren and Washington Industrial Development Agency (WWIDA)) enter into various property tax abatement programs for the purpose of economic development. The District property tax revenue was reduced \$601,300. The District received Payment in Lieu of Tax (PILOT) payment totaling \$299,362.

6. DEFICIT FUND BALANCE

The Capital Projects fund had a fund deficit of \$1,519,554. This deficit is caused by financing the project with bond anticipation notes. When the bond anticipation notes are refinanced with bonds, this deficit will be removed.

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 15, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2019, have been incorporated into these financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance With Actual</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 3,000,000	\$ 3,000,000	\$ 2,579,755	\$ (420,245)
Real Property Tax Items	239,068	239,068	731,992	492,924
Charges for Services	32,500	32,500	70,703	38,203
Use of Money and Property	85,000	85,000	135,914	50,914
Miscellaneous	235,000	235,000	190,850	(44,150)
State Sources	7,560,335	7,560,335	7,413,984	(146,351)
Medicaid Reimbursement				
Federal Sources	<u>30,000</u>	<u>30,000</u>	<u>29,658</u>	<u>(342)</u>
Total Revenue	11,181,903	11,181,903	11,152,856	\$ <u><u>(29,047)</u></u>
Prior Year's Encumbrances	34,419	34,419		
Appropriated Fund Equity	<u>209,353</u>	<u>432,090</u>	<u>-</u>	
Total Revenues, Other Sources and Appropriated Fund Equity	\$ <u><u>11,425,675</u></u>	\$ <u><u>11,648,412</u></u>	\$ <u><u>11,152,856</u></u>	

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Final Budget Variance With Actual and Encumbrances</u>
Expenditures					
General Support					
Board of Education	\$ 9,200	\$ 9,641	\$ 7,091	\$ -	\$ 2,550
Central Administration	186,134	185,511	183,469	-	2,042
Finance	167,373	184,653	184,134	-	519
Staff	32,300	26,100	26,087	-	13
Special Items	658,780	568,190	567,587	-	603
Central Services	142,100	346,387	2,111,761	-	(1,765,374)
Instruction					
Instruction, Administration and Improvement	178,613	204,508	204,508	-	-
Teaching - Regular School	2,819,366	2,852,019	2,847,880	186	3,953
Programs for Students with Disabilities	1,943,874	2,405,191	2,360,272	-	44,919
Occupational Education	163,288	211,338	211,338	-	-
Teaching - Special Schools	32,400	20,100	614	-	19,486
Instructional Media	269,231	288,872	288,414	-	458
Pupil Services	419,685	389,812	384,975	2,022	2,815
Pupil Transportation	302,412	255,353	255,091	-	262
Community Services	7,000	10,100	10,100	-	-
Employee Benefits	2,942,883	2,560,702	2,560,699	-	3
Debt Service					
Debt Service Principal	875,000	875,000	875,000	-	-
Debt Service Interest	251,036	166,854	166,854	-	-
Total Expenditures	11,400,675	11,560,331	13,245,874	2,208	(1,687,751)
Other Uses					
Interfund Transfer	25,000	88,081	87,046	-	1,035
Total Other Uses	25,000	88,081	87,046	-	1,035
Total Expenditures and Other Uses	\$ 11,425,675	\$ 11,648,412	\$ 13,332,920	\$ 2,208	\$ (1,686,716)
Net Change in Fund Equity			\$ (2,180,064)		
Fund equity - beginning			2,138,325		
Fund equity - ending			\$ (41,739)		

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Fiscal Year Ending *	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Measurement date	7/1/18	7/1/17
Service cost	\$ 605,173	\$ 605,173
Interest	568,811	292,136
Changes in benefit terms	-	(279,983)
Difference between expected and actual experience in the measurement of the total OPEB liability	-	5,830,621
Changes in assumptions and other inputs	(601,412)	(565,687)
Benefit payments	<u>(354,042)</u>	<u>(310,563)</u>
Net Change in Total OPEB Liability	218,530	5,571,697
Total OPEB Liability - beginning	<u>15,674,734</u>	<u>10,103,037</u>
Total OPEB Liability - ending	<u>\$ 15,893,264</u>	<u>\$ 15,674,734</u>
Covered-employee payroll	\$ 4,195,532	\$ 4,167,559
Total OPEB Liability as a percentage of covered-employee payroll	378.81%	376.11%

Note: The District currently pays its share of retiree health insurance on a pay-as-you-go basis

* Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of the measurement date.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2019**

	TRS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension asset	0.0254390%	0.0282000%	0.0256190%	0.0257250%	0.0259000%
Proportionate share of the net pension liability (asset)	\$ (460,010)	\$ (214,351)	\$ 274,386	\$ (2,672,035)	\$ (2,885,103)
Covered-employee payroll	\$ 4,414,461	\$ 4,468,837	\$ 4,033,480	\$ 3,927,315	\$ 3,897,418
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-10.42%	-4.80%	6.80%	-68.04%	-74.03%
Plan fiduciary net position as a percentage of the total pension asset	101.53%	100.66%	99.01%	110.46%	111.48%
	ERS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension asset	0.0019930%	0.0020141%	0.0022000%	0.0024038%	0.0025006%
Proportionate share of the net pension liability (asset)	\$ 141,207	\$ 65,005	\$ 206,720	\$ 385,812	\$ 84,475
Covered-employee payroll	\$ 657,686	\$ 574,095	\$ 592,200	\$ 613,839	\$ 617,846
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	21.47%	11.32%	34.91%	62.85%	13.67%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	TRS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 406,090	\$ 523,748	\$ 524,195	\$ 677,409	\$ 621,699
Contributions in relation to the contractually required contribution	<u>(406,090)</u>	<u>(523,748)</u>	<u>(524,195)</u>	<u>(677,409)</u>	<u>(621,699)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,414,461	\$ 4,468,837	\$ 4,033,480	\$ 3,927,315	\$ 3,897,418
Contributions as a percentage of covered-employee payroll	9.20%	11.72%	13.00%	17.25%	15.95%

	ERS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 93,362	\$ 85,681	\$ 90,958	\$ 98,187	\$ 125,186
Contributions in relation to the contractually required contribution	<u>(93,362)</u>	<u>(85,681)</u>	<u>(90,958)</u>	<u>(98,187)</u>	<u>(125,186)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 657,686	\$ 574,095	\$ 592,200	\$ 613,839	\$ 617,846
Contributions as a percentage of covered-employee payroll	14.20%	14.92%	15.36%	16.00%	20.26%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted Budget	\$	11,391,256
Add: Prior year's encumbrances		34,419
Original Budget		11,425,675
Additions: Budget Amendments		222,737
Final Budget	\$	11,648,412

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20[subsequent year's] voter-approved expenditure budget	\$	11,760,815
Maximum allowed (4% of 2019-20 [subsequent year's] budget)		470,433

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

Unrestricted Fund Equity:		
Assigned Fund Equity	\$	292,172
Unassigned Fund Equity		(1,765,375)
Total Unrestricted Fund Equity	\$	(1,473,203)

Less:		
Appropriated Fund Equity	\$	289,964
Encumbrances included in Committed and Assigned Fund Equity		2,208
Total Adjustments	\$	292,172

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$	(1,765,375)
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Actual percentage		-15.01%
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* Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

PROJECT TITLE	SED Project Number	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Transfer to Debt Service Fund	Fund Equity June 30, 2019
				Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total		
Building Improvements		\$ 4,720,000	\$ 4,720,000	\$ 339,676	\$ 1,369,633	\$ 1,709,309	\$ 3,010,691	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ (1,509,309)
Smart School Bond Act		203,600	203,600	10,245	-	10,245	193,355	-	-	-	-	-	(10,245)
Totals		\$ 4,923,600	\$ 4,923,600	\$ 349,921	\$ 1,369,633	\$ 1,719,554	\$ 3,204,046	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ (1,519,554)

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

Capital Assets, Net		\$ 11,708,186
Add:		
Cash on hand	2,694,341	2,694,341
Deduct:		
Bond anticipation notes payable	3,840,000	
Serial bonds payable	3,680,000	(7,520,000)
Net Investment in Capital Assets		\$ 6,882,527

**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 President and Members
of the Board of Education of the
Fort Edward Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Fort Edward Union Free School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

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

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

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

2019-001 Overspent Budget

Criteria: The General Fund budget is prepared by the district and adopted by the voters of the district.

Condition: Judgements and claims included in the district wide financial statements became due and payable during the year, requiring them to be reported in the General Fund. Recording this obligation caused the General Fund budget to be overspent during the 2018-19 year.

Effect: Material noncompliance with laws and regulations.

Recommendation: The district should secure financing to cover the obligation.

Views of responsible officials and planned corrective actions: The District is seeking financial advice from Bernard P. Donegan Incorporated to arrive at a 10 – 15 year bond to allow the District to repay the \$1.7 million.

2019-002 Budget Preparation

Criteria: To accurately develop a budget to be voted on by the taxpayers of the district, the prepared budget should be reviewed for reasonableness and accuracy.

Condition: Budgeted interest on a term bond was duplicated, causing an overstatement of the budget.

Effect: The adopted budget was overstated.

Recommendation: The budget should be reviewed for accuracy and reasonableness before it is approved by the board of education and voted on by the district taxpayers.

Views of responsible officials and planned corrective actions: The District has contracted with the FEH BOCES Shared Business Office to establish a sound budget and a 5-year budget plan.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described below.

2019-003 Budget Amendments

Criteria: Board resolutions are required to be obtained in order to amend the budget.

Condition: A budget amendment was made without board resolution.

Effect: Management performed an unauthorized budget amendment.

Recommendation: Management should not make any budget amendments without board resolution.

Views of responsible officials and planned corrective actions: The District approved to pull \$233,000 from the Tax Certiorari Reserve without including a resolution to increase the budget from said reserve. The District is recommending to the BOE on October 15, 2019 to retro-approve to March 11, 2019.

District's Response to the Findings

The District's response to the findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Marvin and Company, P.C.

Queensbury, NY
October 15, 2019