

FORT EDWARD UNION FREE SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

FORT EDWARD UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Fort Edward Union Free School District
Ford Edward, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Edward Union Free School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Edward Union Free School District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 12), schedule of funding progress –Other Postemployment Benefits (Supplemental Schedule 1), budgetary comparison information (Supplemental Schedule 2), schedule of the District's proportionate share of the net pension asset (liability) (Supplemental Schedule 3), and schedule of District pension contributions (Supplemental Schedule 4), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fort Edward Union Free School District's basic financial statements. The Schedule of Changes from adopted budget to final budget and the real property tax limit (Supplemental Schedule 5), Schedule of Project Expenditures - Capital Projects Fund (Supplemental Schedule 6) and net investment in capital assets (Supplemental Schedule 7) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplemental Schedules 5, 6 and 7 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, Supplemental Schedules 5, 6 and 7 are 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 9, 2018 on our consideration of the Fort Edward Union Free School 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Edward Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Edward Union Free School District's internal control over financial reporting and compliance.


FLYNN, WALKER, DIGGIN C.P.A., P.C.

October 9, 2018

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's fund level financial statements show that the General Fund had an excess of expenditures over revenues of \$1,642,987 due to the tax certiorari settlement payment to GE in the amount of \$1,855,000. State Aid increased 6.2% which included \$400,000 in Supplemental Valuation Grant which was new to the district for the 2017-18 fiscal year.

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 and, in November 2017, the District issued the aforementioned settlement check as a result of the tax certiorari proceedings. WCC, LLC is the current owner of the property and, like GE, has challenged the assessed values. Thereby, the District has recorded an accrued judgement and claim liability for \$1,887,000 and has also increased the Tax Certiorari Reserve by \$250,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the district-wide statements.
- The *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.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Overview of the Financial Statements, Continued

- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

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

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

District-Wide Statements

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

The two district-wide statements report the School District's *net position* and how it has changed. Net position—the difference between the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one way to measure the School District's financial health or *position*.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Fund Financial Statements, Continued

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT
AS A WHOLE

The following table provides a summary of the School District's net position for June 30, 2018 compared to 2017:

	<u>Condensed Statement of Net Position</u>		Total Percentage Change <u>2017-2018</u>
	Governmental Activities and Total School District		
	<u>2017</u> (Restated)	<u>2018</u>	
Assets			
Current and Other Assets	\$ 4,844,930	4,287,931	-11.50%
Capital Assets, Net	11,146,711	10,779,005	-3.30%
Total Assets	15,991,641	15,066,936	-5.78%
Deferred Outflows of Resources	3,187,173	8,180,926	156.68%
Total Assets & Deferred Outflows of Resources	<u>\$ 19,178,814</u>	<u>23,247,862</u>	21.22%
Liabilities			
Long-Term Liabilities	\$ 17,418,168	23,524,276	35.06%
Other Liabilities	572,646	1,678,494	193.11%
Total Liabilities	17,990,814	25,202,770	40.09%
Deferred Inflows of Resources	132,511	1,439,367	986.22%
Total Liabilities & Deferred Inflows of Resources	<u>18,123,325</u>	<u>26,642,137</u>	47.00%
Net Position			
Net Investment in Capital Assets	5,746,711	6,084,329	5.87%
Restricted	2,874,117	1,164,318	-59.49%
Unrestricted (Deficit)	(7,565,339)	(10,642,922)	-40.68%
Total Net Position	1,055,489	(3,394,275)	-421.58%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 19,178,814</u>	<u>23,247,862</u>	21.22%

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Financial Analysis of the School District as a Whole, Continued

Significant changes to Deferred Outflows of Resources, Other Liabilities, Long Term Liabilities and Deferred Inflows of Resources were due to prior period adjustments, the recording of an accrued judgements and claims and the implementation of GASB 75, which led to an overall decrease in net position of approximately \$4,500,000.

The following table provides a summary of the School District's changes in net position for the year ended June 30, 2018 compared to 2017:

	<u>Changes in Net Position from Operating Results</u>		Total Percentage Change <u>2017-2018</u>
	Governmental Activities and Total School District		
	<u>2017</u> (Restated)	<u>2018</u>	
Revenues			
Program Revenues			
Charges for Services	\$ 140,176	104,981	-25.11%
Operating Grants and Contributions	801,604	823,799	2.77%
General Revenues			
Property Taxes	3,889,068	3,260,373	-16.17%
State Formula Aid	6,667,896	7,081,554	6.20%
Medicaid/Medicare Reimbursements	23,724	60,071	153.21%
Use of Money and Property	15,621	88,894	469.07%
Miscellaneous	148,692	204,229	37.35%
Total Revenues	<u>11,686,781</u>	<u>11,623,901</u>	-0.54%
Expenses			
General Support	1,134,337	4,828,593	325.68%
Instruction	6,063,286	6,113,547	0.83%
Pupil Transportation	277,253	307,767	11.01%
Community Services	7,577	13,714	81.00%
Employee Benefits	2,669,385	2,359,507	-11.61%
Debt Service - Interest	184,861	164,852	-10.82%
School Lunch Program	314,415	353,351	12.38%
Other Postemployment Benefits	5,494,897	1,494,815	-72.80%
Depreciation, Unallocated	454,931	437,519	-3.83%
Total Expenses	<u>16,600,942</u>	<u>16,073,665</u>	-3.18%
Increase (Decrease) in Net Position	<u>\$ (4,914,161)</u>	<u>(4,449,764)</u>	9.45%

Revenue: In the 2017-18 year, revenue decreased by \$62,880, or .54%. State aid increased by \$413,658 or 6.20% which, as previously mentioned, included \$400,000 from a Supplemental Valuation Grant. Overall property taxes decreased by \$628,695. Operating grants increased 2.77% which was primarily due to increased funding related to federal awards.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Financial Analysis of the School District as a Whole, Continued

Revenue, continued:

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 2017-18 there were less students from other districts being serviced by the District.

Use of Money and Property increased due to the District's new lease with New Meadows, Inc. for classrooms to accommodate their pre-school program and a new BOCES lease to rent classroom space for the 2017-18 school year.

Expenses: The District as a whole had a decrease in expenses of \$527,277 or 3.18% compared to 2017. Instruction and General Support went up \$50,261 and \$3,694,256, respectively due to a number of factors including: 1) \$1,855,000 refund of real property taxes from previously mentioned tax certiorari settlement, 2) special education enrollment to outside private and public schools can fluctuate from year to year and this past year enrollment increased, 3) the cost of special education was higher for students educated in the District as well, 4) the District also had an increase in teacher salaries due to contractual step increases, 5) Due to a contract change with the District's school lunch service provider, the District saw an increase in school lunch expenses of \$38,936. Employee Benefits and Other Postemployment Benefits both had decreases which helped stabilize any significant change in year over year expenses.

The following table provides a summary of the District's net cost of services for the year ended June 30, 2018 compared to 2017:

	<u>Net Cost of Governmental Activities</u>					
	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	<u>2017</u> (Restated)	<u>2018</u>	<u>2017-2018</u>	<u>2017</u> (Restated)	<u>2018</u>	<u>2017-2018</u>
General Support	\$ 1,411,530	5,054,759	258.10%	\$ 1,411,530	5,054,759	258.10%
Instruction	8,773,778	8,569,190	-2.33%	8,163,245	7,968,745	-2.38%
Pupil Transportation	392,053	404,468	3.17%	392,053	404,468	3.17%
Community Services	7,577	13,714	81.00%	7,577	13,714	81.00%
Debt Service - Interest	184,861	164,852	-10.82%	184,861	164,852	-10.82%
School Lunch Program	336,246	371,867	10.59%	4,999	43,532	770.81%
Other Post Employment Benefits	5,494,897	1,494,815	-72.80%	5,494,897	1,494,815	-72.80%
Total Expenses	<u>\$ 16,600,942</u>	<u>16,073,665</u>	-3.18%	<u>\$ 15,659,162</u>	<u>15,144,885</u>	-3.28%

**FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued**

Financial Analysis of the School District as a Whole, Continued

Depreciation expense has been allocated to cost of services as follows:

	Governmental Activities and Total School District		Total Percentage Change
	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>
General Support	\$ 7,293	7,800	6.95%
Instruction	425,506	410,892	-3.43%
Pupil Transportation	15,776	12,471	-20.95%
School Lunch Program	6,356	6,356	0.00%
Total	<u>\$ 454,931</u>	<u>437,519</u>	-3.83%

**FINANCIAL ANALYSIS OF THE
SCHOOL DISTRICT'S FUNDS**

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

The District has chosen to use \$209,353 of its unrestricted General Fund fund balance to reduce the 2018-19 tax levy.

General Fund Budgetary Highlights

The General Fund is the only fund in which the budget is legally adopted. Please see Supplemental Schedule 2 for the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual.

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. Additionally, various refunds of prior year rate adjustments as well as use of property led to an excess of increase in miscellaneous revenues compared to the budgeted amount

The District revised the budget to account for the real property tax refunds (\$1,855,000) paid during the year ended June 30, 2018. This payment led to the excess of expenditures over revenue totaling \$1,642,987. General Support, Pupil Transportation and Employee Benefits were under budget by \$74,139, \$14,699 and \$316,166, respectively. Overall Instruction was over budget by \$109,449 which was mainly due to Programs for Children with Handicapping Conditions being overspent by \$149,378.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table shows a summary of estimated capital assets for June 30, 2018 compared to 2017:

	<u>Capital Assets, Net</u>		Total Percentage Change <u>2017-2018</u>
	Governmental Activities and Total School District		
	<u>2017</u>	<u>2018</u>	
	(Restated)		
Land	\$ 8,731	8,731	0.00%
Buildings	10,504,424	10,113,741	-3.72%
Furniture, Equipment and Vehicles	348,218	306,612	-11.95%
Construction in Progress	285,338	349,921	22.63%
Total	<u>\$ 11,146,711</u>	<u>10,779,005</u>	-3.30%

Overall there was a 3.30% decrease in the net capital assets which includes depreciation expense (\$437,519) for the 2017-2018 year. Also, Construction in Progress represents the cumulative expenditures the District has incurred for the new capital project approved in December 2016.

Long-Term Debt

As of June 30, 2018, the School District had total serial bonds outstanding of \$4,555,000. This amount is backed by the full faith and credit of the Fort Edward Union Free School District. The debt service payments are anticipated to be funded by approved New York State building aid and voter approved property taxes.

	<u>Outstanding Long-Term Debt</u>		Total Percentage Change <u>2017-2018</u>
	Governmental Activities and Total School District		
	<u>2017</u>	<u>2018</u>	
General Obligation Bonds	<u>\$ 5,400,000</u>	<u>4,555,000</u>	-15.65%

Short-Term Debt

As of June 30, 2018, the School District had a Bond Anticipation Notes (BAN) outstanding of \$1,200,000. As of June 30, 2018 the School District has no outstanding Revenue Anticipation Notes (RAN).

**FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued**

FACTORS BEARING ON THE DISTRICT'S FUTURE

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 SCHOOL DISTRICT'S FINANCIAL
MANAGEMENT**

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

Ms. Michelle Taylor, District Treasurer
Fort Edward Union Free School District
220 Broadway
Fort Edward, New York 12828

FORT EDWARD UNION FREE SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

GOVERNMENTAL ACTIVITIES

JUNE 30, 2018

Assets	
Cash:	
Unrestricted	\$ 300,436
Restricted	2,533,624
Receivables:	
Accounts Receivable	49,423
State and Federal Aid	768,060
Due From Fiduciary Funds	419,645
Inventories	2,392
Capital Assets, net	10,779,005
Net Pension Asset - Proportionate Share	214,351
Total Assets	<u>15,066,936</u>
Deferred Outflows of Resources	
Other Postemployment Benefits (OPEB)	5,212,893
Pensions	2,968,033
Total Deferred Outflows of Resources	<u>8,180,926</u>
	<u>\$ 23,247,862</u>
Liabilities	
Payables:	
Accounts Payable	\$ 435,124
Accrued Liabilities	6,613
Bond Anticipation Notes Payable	1,200,000
Unearned Revenues	36,757
Long-Term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	875,000
Due to Teachers' Retirement System	421,736
Due to Employees' Retirement System	22,441
Due and Payable After One Year:	
Bonds Payable	3,680,000
Compensated Absences	898,360
Accrued Judgements and Claims	1,887,000
Other Postemployment Benefits Payable	15,674,734
Net Pension Liability - Proportionate Share	65,005
Total Liabilities	<u>25,202,770</u>
Deferred Inflows of Resources	
Other Postemployment Benefits (OPEB)	471,406
Pensions	967,961
Total Deferred Inflows of Resources	<u>1,439,367</u>
Net Position (Deficit)	
Net Investment in Capital Assets	6,084,329
Restricted	1,164,318
Unrestricted (Deficit)	(10,642,922)
Total Net Position (Deficit)	<u>(3,394,275)</u>
	<u>\$ 23,247,862</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION (DEFICIT)

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions / Programs			<u>Charges for Services</u>	<u>Operating Grants</u>	
General Support	\$ (4,828,593)	(226,166)	-	-	(5,054,759)
Instruction	(6,113,547)	(2,455,643)	67,123	533,322	(7,968,745)
Pupil Transportation	(307,767)	(96,701)	-	-	(404,468)
Community Services	(13,714)	-	-	-	(13,714)
Employee Benefits	(2,359,507)	2,359,507	-	-	-
Debt Service - Interest	(164,852)	-	-	-	(164,852)
School Lunch Program	(353,351)	(18,516)	37,858	290,477	(43,532)
Other Postemployment Benefits	(1,494,815)	-	-	-	(1,494,815)
Depreciation, Unallocated	(437,519)	437,519	-	-	-
Total Functions and Programs	<u>\$ (16,073,665)</u>	<u>-</u>	<u>104,981</u>	<u>823,799</u>	<u>(15,144,885)</u>
 General Revenues					
Real Property Taxes					2,561,626
Real Property Tax Items					698,747
Use of Money and Property					88,894
Miscellaneous					204,229
State Sources					7,081,554
Medicaid Reimbursement					54,029
Medicare Reimbursement					6,042
Total General Revenues					<u>10,695,121</u>
Change in Net Position (Deficit)					<u>(4,449,764)</u>
Total Net Position- Beginning of Year					5,955,843
Prior Period Adjustment					<u>(4,900,354)</u>
Total Net Position- Beginning of Year, Restated					<u>1,055,489</u>
Total Net Position (Deficit) - End of Year					<u>\$ (3,394,275)</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects		Total Governmental Funds
				Building Improvements	Smart School Bond Act	
Assets						
Unrestricted Cash	\$ 88,288	89,662	122,486	-	-	300,436
Restricted Cash	1,164,318	-	-	1,369,306	-	2,533,624
Accounts Receivable	48,674	-	749	-	-	49,423
State and Federal Aid Receivable	395,738	354,893	17,429	-	-	768,060
Due From Other Funds	1,368,646	18,372	-	-	-	1,387,018
Inventories	-	-	2,392	-	-	2,392
Total Assets	\$ 3,065,664	462,927	143,056	1,369,306	-	5,040,953
Liabilities						
Accounts Payable	\$ 341,504	979	73,642	8,754	10,245	435,124
Due to Other Funds	106,040	461,948	99,157	300,228	-	967,373
Due to Teachers' Retirement System	421,736	-	-	-	-	421,736
Due to Employees' Retirement System	22,441	-	-	-	-	22,441
Unearned Revenues	35,618	-	1,139	-	-	36,757
Bond Anticipation Notes Payable	-	-	-	1,200,000	-	1,200,000
Total Liabilities	927,339	462,927	173,938	1,508,982	10,245	3,083,431
Fund Balances (Deficit)						
Nonspendable	-	-	2,392	-	-	2,392
Restricted	1,164,318	-	-	-	-	1,164,318
Assigned	243,772	-	-	-	-	243,772
Unassigned	730,235	-	(33,274)	(139,676)	(10,245)	547,040
Total Fund Balances (Deficit)	2,138,325	-	(30,882)	(139,676)	(10,245)	1,957,522
Total Liabilities and Fund Balances (Deficit)	\$ 3,065,664	462,927	143,056	1,369,306	-	5,040,953

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects		Total Governmental Funds
				Building Improvements	Smart School Bond Act	
Revenues						
Real Property Taxes	\$ 2,561,626	-	-	-	-	2,561,626
Real Property Tax Items	698,747	-	-	-	-	698,747
Charges for Services	67,123	-	-	-	-	67,123
Use of Money and Property	88,894	-	112	-	-	89,006
Miscellaneous	204,229	-	-	-	-	204,229
State Sources	7,081,554	176,365	7,924	-	-	7,265,843
Medicaid Reimbursement	54,029	-	-	-	-	54,029
Medicare Reimbursement	6,042	-	-	-	-	6,042
Federal Sources	-	356,957	263,164	-	-	620,121
Surplus Food	-	-	19,389	-	-	19,389
Sales - School Lunch	-	-	37,746	-	-	37,746
Total Revenues	<u>10,762,244</u>	<u>533,322</u>	<u>328,335</u>	<u>-</u>	<u>-</u>	<u>11,623,901</u>
Expenditures						
General Support	2,941,593	-	-	-	-	2,941,593
Instruction	5,575,357	498,391	-	-	-	6,073,748
Pupil Transportation	307,767	-	-	-	-	307,767
Community Services	13,714	-	-	-	-	13,714
Employee Benefits	2,528,381	53,231	18,362	-	-	2,599,974
Debt Service						
Principal	845,000	-	-	-	-	845,000
Interest	165,119	-	-	-	-	165,119
Cost of Sales	-	-	353,351	-	-	353,351
Capital Outlay	-	-	-	54,338	10,245	64,583
Total Expenditures	<u>12,376,931</u>	<u>551,622</u>	<u>371,713</u>	<u>54,338</u>	<u>10,245</u>	<u>13,364,849</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,614,687)</u>	<u>(18,300)</u>	<u>(43,378)</u>	<u>(54,338)</u>	<u>(10,245)</u>	<u>(1,740,948)</u>
Other Sources and Uses						
Operating Transfers In	-	18,300	10,000	-	-	28,300
Operating Transfers (Out)	(28,300)	-	-	-	-	(28,300)
Total Other Sources and Uses	<u>(28,300)</u>	<u>18,300</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,642,987)</u>	<u>-</u>	<u>(33,378)</u>	<u>(54,338)</u>	<u>(10,245)</u>	<u>(1,740,948)</u>
Fund Balance, Beginning of Year	3,781,312	-	8,618	102,799	-	3,892,729
Prior Period Adjustment	-	-	(6,122)	(188,137)	-	(194,259)
Fund Balance (Deficit), Beginning of Year as Restated	<u>3,781,312</u>	<u>-</u>	<u>2,496</u>	<u>(85,338)</u>	<u>-</u>	<u>3,698,470</u>
Fund Balance (Deficit), End of Year	<u>\$ 2,138,325</u>	<u>-</u>	<u>(30,882)</u>	<u>(139,676)</u>	<u>(10,245)</u>	<u>1,957,522</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2018

	Private Purpose <u>Trusts</u>	<u>Agency</u>
Assets		
Cash	\$ -	460,021
Restricted Cash	46,485	33,390
Total Assets	<u>\$ 46,485</u>	<u>493,411</u>
Liabilities		
Extraclassroom Activity Balances	\$ -	16,339
Other Activity Balances	-	17,051
Other Liabilities	-	40,376
Due to Other Funds	-	419,645
Total Liabilities	<u>-</u>	<u>493,411</u>
Net Position		
Reserved for Scholarships	<u>46,485</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 46,485</u>	<u>493,411</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose <u>Trusts</u>
Additions	
Gifts and Contributions	\$ 2,856
Investment Earnings	52
Total Additions	<u>2,908</u>
Deductions	
Scholarships and Awards	<u>2,800</u>
Change in Net Position	108
Net Position - Beginning of Year	46,377
Net Position - End of Year	<u>\$ 46,485</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2018

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash:				
Unrestricted	\$ 300,436	-	-	300,436
Restricted	2,533,624	-	-	2,533,624
Receivables:				
Accounts Receivable	49,423	-	-	49,423
State and Federal Aid	768,060	-	-	768,060
Due From Other Funds	1,387,018	-	(1,387,018)	-
Due From Fiduciary Funds	-	-	419,645	419,645
Inventories	2,392	-	-	2,392
Capital Assets, net	-	10,779,005	-	10,779,005
Net Pension Asset - Proportionate Share	-	214,351	-	214,351
Total Assets	<u>5,040,953</u>	<u>10,993,356</u>	<u>(967,373)</u>	<u>15,066,936</u>
Deferred Outflows of Resources				
OPEB	-	5,212,893	-	5,212,893
Pensions	-	2,968,033	-	2,968,033
Total Deferred Outflows of Resources	-	<u>8,180,926</u>	-	<u>8,180,926</u>
	<u>\$ 5,040,953</u>	<u>19,174,282</u>	<u>(967,373)</u>	<u>23,247,862</u>
Liabilities				
Payables:				
Accounts Payable	\$ 435,124	-	-	435,124
Accrued Liabilities	-	6,613	-	6,613
Due to Other Funds	967,373	-	(967,373)	-
Due to Teachers' Retirement System	421,736	-	-	421,736
Due to Employees' Retirement System	22,441	-	-	22,441
Bond Anticipation Notes Payable	1,200,000	-	-	1,200,000
Unearned Revenues	36,757	-	-	36,757
Bonds Payable	-	4,555,000	-	4,555,000
Compensated Absences	-	898,360	-	898,360
Accrued Judgements and Claims	-	1,887,000	-	1,887,000
Other Postemployment Benefits Payable	-	15,674,734	-	15,674,734
Net Pension Liability - Proportionate Share	-	65,005	-	65,005
Total Liabilities	<u>3,083,431</u>	<u>23,086,712</u>	<u>(967,373)</u>	<u>25,202,770</u>
Deferred Inflows of Resources				
OPEB	-	471,406	-	471,406
Pensions	-	967,961	-	967,961
Total Deferred Inflows of Resources	-	<u>1,439,367</u>	-	<u>1,439,367</u>
Fund Balance \ Net Position (Deficit)				
Total Fund Balance \ Net Position (Deficit)	<u>1,957,522</u>	<u>(5,351,797)</u>	-	<u>(3,394,275)</u>
	<u>\$ 5,040,953</u>	<u>19,174,282</u>	<u>(967,373)</u>	<u>23,247,862</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Eliminations	Statement of Activities Totals
Revenues						
Real Property Taxes	\$ 2,561,626	-	-	-	-	2,561,626
Real Property Tax Items	698,747	-	-	-	-	698,747
Charges for Services	67,123	-	-	-	-	67,123
Use of Money and Property	89,006	-	-	-	-	89,006
Miscellaneous	204,229	-	-	-	-	204,229
State Sources	7,265,843	-	-	-	-	7,265,843
Medicaid Reimbursement	54,029	-	-	-	-	54,029
Medicare Reimbursement	6,042	-	-	-	-	6,042
Federal Sources	620,121	-	-	-	-	620,121
Surplus Food	19,389	-	-	-	-	19,389
Sales - School Lunch	37,746	-	-	-	-	37,746
Total Revenues	<u>11,623,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,623,901</u>
Expenditures						
General Support	2,941,593	-	-	1,887,000	-	4,828,593
Instruction	6,073,748	45,029	(5,230)	-	-	6,113,547
Pupil Transportation	307,767	-	-	-	-	307,767
Community Services	13,714	-	-	-	-	13,714
Employee Benefits	2,599,974	(240,467)	-	-	-	2,359,507
Debt Service						
Principal	845,000	-	-	(845,000)	-	-
Interest	165,119	(267)	-	-	-	164,852
Cost of Sales	353,351	-	-	-	-	353,351
Capital Outlay	64,583	-	(64,583)	-	-	-
Other Postemployment Benefits	-	1,494,815	-	-	-	1,494,815
Depreciation, Unallocated	-	-	437,519	-	-	437,519
Total Expenditures	<u>13,364,849</u>	<u>1,299,110</u>	<u>367,706</u>	<u>1,042,000</u>	<u>-</u>	<u>16,073,665</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,740,948)</u>	<u>(1,299,110)</u>	<u>(367,706)</u>	<u>(1,042,000)</u>	<u>-</u>	<u>(4,449,764)</u>
Other Sources and Uses						
Operating Transfers In	28,300	-	-	-	(28,300)	-
Operating Transfers (Out)	(28,300)	-	-	-	28,300	-
Total Other Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change for the Year	<u>\$ (1,740,948)</u>	<u>(1,299,110)</u>	<u>(367,706)</u>	<u>(1,042,000)</u>	<u>-</u>	<u>(4,449,764)</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 **Summary of Certain Significant Accounting Policies**

The financial statements of the Fort Edward Union Free School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting Entity

The Fort Edward Union Free School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 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 and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the District's reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found on pages 67 through 71 of this financial statement reporting package. The District accounts for assets held as an agent for various student organizations in an agency fund.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

B. Joint Venture

The District is a component district in 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 shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$1,410,434 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES. As of year-end, the District had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$494,396.

Financial statements for the Washington-Saratoga-Warren-Hamilton-Essex Counties BOCES are available from the BOCES administrative office at 1153 Burgoyne Avenue, Suite 2, Fort Edward, New York 12828-1134.

C. Basis of Presentation

i) District-wide Statements

The Statement of Net Position (Deficit) 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 non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

i) District-wide Statements, Continued

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

ii) Fund Statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds - These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special aid fund: Used to account for proceeds received from State and Federal grants that are restricted for specific educational programs.

School lunch fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds - These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

The District reports the following fiduciary funds:

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

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

The 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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, 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 state aid is recognized in the fiscal year it is appropriated by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

D. Measurement Focus and Basis of Accounting, Continued

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

E. Cash and Investments

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Investments are stated at fair value.

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 14, 2017. Taxes were collected during the period September 1, 2017 to November 2, 2017.

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

G. 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.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

H. Inventories and Prepaid Items

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

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

I. 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 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/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 encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities, depreciation and useful lives of long-lived assets.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

K. 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 process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 2,500	Straight line	50 years
Land improvements	\$ 2,500	Straight line	20 years
Vehicles	\$ 2,500	Straight line	8 years
Furniture and equipment	\$ 2,500	Straight line	5-20 years

L. Vested Employee Benefits

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

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

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick and vacation leave is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

M. Other Benefits

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

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

M. Other Benefits, Continued

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. First is related to pensions reported in the district-wide Statement of Net Position (Deficit). 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. Second is the District contributions to the pension systems and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide Statement of Net Position (Deficit). This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position (Deficit) 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 is related to pensions reported in the district-wide Statement of Net Position (Deficit). This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position (Deficit). This represents the effect of the net changes of assumptions or other inputs.

O. Unearned Revenue

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

P. 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.

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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

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

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 within more than one year in the Statement of Net Position.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

S. Net Position (Deficit)/Fund Balance

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Use of restricted amounts are determined by the District consistent with its' policy regarding order of use of Fund Balance.

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Balance:

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

District-wide Statements:

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

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

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

Unrestricted net position (deficit)—reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

S. Net Position (Deficit)/Fund Balance, Continued

Fund Statements:

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$2,392.

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

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

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

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.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

S. Net Position (Deficit)/Fund Balance, Continued

Fund Statements, Continued:

Restricted, Continued:

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

Debt - According to General Municipal Law §6-l, the mandatory reserve for debt must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose.

Insurance - According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary 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.

Liability Claims and Property Loss - According to Education Law §1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts with a population under 125,000.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

S. Net Position (Deficit)/Fund Balance, Continued

Fund Statements, Continued:

Restricted, Continued:

Tax Certiorari - According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year 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.

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

Retirement Contributions - According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

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

Assigned - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. 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 (\$34,419) not classified as restricted at the end of the fiscal year.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 **Summary of Certain Significant Accounting Policies, Continued**

S. Net Position (Deficit)/Fund Balance, Continued

Fund Statements, Continued:

Assigned, Continued:

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

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 School District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the General Fund includes the following reserve:

Reserve for Tax Reduction – According to Education Law §1604(36) and §1709(37) is used for the gradual use of the proceeds of the sale of District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction.

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

S. Net Position (Deficit)/Fund Balance, Continued

Fund Statements, Continued:

Below is a summary of the fund balance classifications at June 30, 2018:

	General	School Lunch	Capital Projects		Total Governmental Funds
			Building Improvements	Smart School Bond Act	
<u>Nonspendable</u>					
Inventory	\$ -	2,392	-	-	2,392
<u>Restricted</u>					
Capital	302	-	-	-	302
Insurance	27,000	-	-	-	27,000
Workers' Compensation	30,000	-	-	-	30,000
Unemployment Insurance	54,921	-	-	-	54,921
Debt	252,974	-	-	-	252,974
Tax Certiorari	339,121	-	-	-	339,121
Employee Benefit Accrued Liability	300,000	-	-	-	300,000
Retirement Contributions	160,000	-	-	-	160,000
	<u>1,164,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,164,318</u>
<u>Assigned</u>					
Teaching - Regular School Programs for Children with Handicapping Conditions	372	-	-	-	372
Instructional Media	33,346	-	-	-	33,346
Pupil Services	140	-	-	-	140
Pupil Transportation	439	-	-	-	439
Appropriated Fund Balance	122	-	-	-	122
	<u>209,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,353</u>
	<u>243,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,772</u>
<u>Unassigned</u>					
Unassigned Fund Balance (Deficit)	730,235	(33,274)	(139,676)	(10,245)	547,040
Total Fund Balances (Deficit)	<u>\$ 2,138,325</u>	<u>(30,882)</u>	<u>(139,676)</u>	<u>(10,245)</u>	<u>1,957,522</u>

T. New Accounting Standards

The District has adopted and implemented, if applicable, all current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2018:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*
- GASB Statement No. 81, *Split Interest Agreements*
- GASB Statement No. 85, *Omnibus*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

U. Future Changes in Accounting Standards

- GASB has issued Statement No. 83, *Certain Asset Retirement*, effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, *Fiduciary Activities*. Effective for the year ending June 30, 2020.
- GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2019.
- GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2021.

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

NOTE 2 Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the funds 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 District-wide statements, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds versus net position (deficit) of governmental activities:

Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position(Deficit). This difference primarily results from the long-term economic focus of the Statement of Net Position (Deficit) 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.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 2 Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements, Continued

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

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

- i) **Long-term Revenue Differences** - Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- ii) **Capital Related Differences** - Capital related differences include the difference between proceeds for the sale of capital assets reported on 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 fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- iii) **Long-term Debt Transaction Differences** - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position(Deficit) .
- iv) **Pension Differences** – Pension differences occur as a result of changes in the District’s proportion of the collective net pension asset/liability and differences between the District’s contributions and its proportionate share of the total contributions to the pension systems.
- v) **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.

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

Original cost of capital assets	\$ 19,956,635
Accumulated depreciation	<u>(9,177,630)</u>
Capital assets, net	\$ <u>10,779,005</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 2 **Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements, Continued**

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

Bonds payable	\$ 4,555,000
Compensated absences payable	898,360
Accrued judgements and claims	1,887,000
Other postemployment benefits payable	15,674,734
Net pension liability – proportionate share	65,005

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The net change in compensated absences earned during the year ended June 30, 2018 totaled \$45,029.

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation (\$437,519) exceeded capital expenditures (\$69,813) in the current year.

Repayment of principal for bonds payable (\$845,000) are expenditures in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position (Deficit), and does not affect the Statement of Activities.

For accrued judgements and claims, See Note 15(B) for information pertaining to ongoing taxpayer assessed property value litigation and the District's estimate of liability.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes standards for the accrual measurement and recognition of other postemployment benefits (OPEB) costs over a period that relates to when the service is provided to the employer, rather than recognizing those costs on a pay-as-you-go basis. The amount recorded in the Statement of Net Position (\$15,674,734) represents the actuarial accrued OPEB liability. The net change in other postemployment benefits shown in the Statement of Activities totaled \$1,494,815.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* requires the District to report as an asset and/or liability its portion of the collective net pensions asset or liability in the New York State Teachers' and Employees' Retirement Systems. The District reported a net pension asset of \$214,351 and a net pension liability of \$65,005, which represents its proportionate share of the collective net pension of the New York State Teachers' and Employees' Retirement Systems, respectively. In addition to the reported net pension asset and liability, the District reported changes to deferred outflows and inflows of resources (see Note 10). The net change in the net pension asset and liability and deferred outflows and inflows of resources shown in the Statement of Activities totaled \$113,575.

Interest on short-term and long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest reported in the Statement of Activities decreased by \$267.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 3 Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The District's beginning of year net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 5,955,843
Prior period adjustment (see Note 13)	(6,122)
<u>GASB Statement No. 75 implementation:</u>	
Adjustment to beginning Net OPEB Liability	(5,204,795)
Beginning deferred outflows of resources	<u>310,563</u>
Net position beginning of year, as restated	\$ <u>1,055,489</u>

NOTE 4 Stewardship, Compliance and Accountability

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

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

-\$ 1,855,000 Refund on Real Property Taxes

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

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 4 Stewardship, Compliance and Accountability, Continued

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 balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

Unassigned Fund Balance Limit - The District's unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District was at 6.4% as of June 30, 2018.

The School Lunch Fund had a deficit fund balance of \$30,882 as of June 30, 2018. The District's plan to resolve the deficit is to make annual budgeted transfers from the General Fund (\$10,000 during the year ended June 30, 2018).

The Building Improvements capital project had a deficit fund balance of \$139,676. This will be funded when the District obtains permanent financing.

The Smart School Bond Act capital project had a deficit fund balance of \$10,245. This will be funded when the District requests for reimbursement from the New York State Education Department.

The District did not make transfers among functional units in accordance with §170.2(I) of the New York State Commissioner of Education's regulations, which provide that the Board shall have the power and duty to make transfers between and within functional unit appropriations for teachers' salaries and ordinary contingent expenses.

The District made interfund transfers during the year, which exceeded amounts provided in the District's budget.

NOTE 5 Cash - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

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

The District's aggregate bank balances disclosed in the financial statements, included balances not covered by depository insurance at year-end of (A) \$_____, (B) \$ 3,133,736 (C) \$_____.

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 5 **Cash - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks, Continued**

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,533,624 in the governmental funds and \$79,875 in the fiduciary funds.

NOTE 6 **Capital Assets**

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning</u> <u>Balance</u> (Restated)	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 8,731	-	-	8,731
Construction in progress	285,338	64,583	-	349,921
Total nondepreciable historical costs	<u>294,069</u>	<u>64,583</u>	<u>-</u>	<u>358,652</u>
Capital assets that are depreciated:				
Building and improvements	17,899,649	-	-	17,899,649
Furniture, equipment and vehicles	1,696,599	5,230	(3,495)	1,698,334
Total depreciable historical cost	<u>19,596,248</u>	<u>5,230</u>	<u>(3,495)</u>	<u>19,597,983</u>
Less accumulated depreciation:				
Building and improvements	(7,395,225)	(390,683)	-	(7,785,908)
Furniture, equipment and vehicles	(1,348,381)	(46,836)	3,495	(1,391,722)
Total accumulated depreciation	<u>(8,743,606)</u>	<u>(437,519)</u>	<u>3,495</u>	<u>(9,177,630)</u>
Total depreciable historical cost, net	<u>10,852,642</u>	<u>(432,289)</u>	<u>-</u>	<u>10,420,353</u>
Total historical cost, net	<u>\$ 11,146,711</u>	<u>(367,706)</u>	<u>-</u>	<u>10,779,005</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 7,800
Instruction	410,892
Pupil Transportation	12,471
School Lunch	<u>6,356</u>
Total Depreciation Expense	<u>\$ 437,519</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 7 Short-term Debt

Transactions in short-term debt for the year are as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
BAN maturing 6/20/19 at 1.98%	\$ -	1,200,000	-	1,200,000

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

Interest paid	\$ -
Less: interest accrued in the prior year	-
Plus: interest accrued in the current year	<u>651</u>
Total expense	<u>\$ 651</u>

NOTE 8 Long-term Obligations

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

	Beginning Balance (Restated)	Additions	Reductions	Net	Ending Balance	Amounts Due Within One Year
Governmental activities:						
Bonds and notes payable:						
General obligation debt:						
Serial Bonds	\$ 5,400,000	-	(845,000)	(845,000)	4,555,000	875,000
Other liabilities:						
Due to Teachers' Retirement System	558,783			(137,047)	421,736	421,736
Due to Employees' Retirement System	21,911			530	22,441	22,441
Compensated Absences	853,331			45,029	898,360	-
Accrued judgements and claims	-			1,887,000	1,887,000	-
Other postemployment benefits payable	10,103,037			5,571,697	15,674,734	-
Net pension liability proportionate share	481,106			(416,101)	65,005	-
Total other liabilities	<u>12,018,168</u>			<u>6,951,108</u>	<u>18,969,276</u>	<u>444,177</u>
Total long-term liabilities	<u>\$ 17,418,168</u>			<u>6,106,108</u>	<u>23,524,276</u>	<u>1,319,177</u>

Transactions affecting other liabilities are shown net since it is impractical to separately determine these amounts.

Bonds Payable is comprised of the following:

Description of Issue:

	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Serial Bonds				
Capital Projects Serial Bonds	03/24/10	06/15/25	1.75 - 3.75%	\$ 3,335,000
School District Refunding Bonds	12/30/14	06/15/21	2.0%	<u>1,220,000</u>
				<u>\$ 4,555,000</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 8 Long-term Obligations, Continued

The following is a summary of the maturity of long-term indebtedness:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 875,000	143,094	1,018,094
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	<u>1,045,000</u>	<u>58,417</u>	<u>1,103,417</u>
Totals	<u>\$ 4,555,000</u>	<u>543,712</u>	<u>5,098,712</u>

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

Interest paid	\$ 165,119
Less: interest accrued in the prior year	(6,880)
Plus: interest accrued in the current year	<u>5,962</u>
Total expense	<u>\$ 164,201</u>

The District has commitments to lease school buses under operating leases with terms expiring in June, 2019 through June, 2022. The minimum annual future non-cancelable operating lease payments are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 54,038
2020	35,688
2021	18,503
2022	18,503

NOTE 9 Interfund Balances and Activity

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,368,646	106,040	-	28,300
Special Aid Fund	18,372	461,948	18,300	-
School Lunch Fund	-	99,157	10,000	-
Capital Project Fund	-	300,228	-	-
Total Government Activities	<u>1,387,018</u>	<u>967,373</u>	<u>28,300</u>	<u>28,300</u>
Fiduciary Agency Fund	-	419,645	-	-
Totals	<u>\$ 1,387,018</u>	<u>1,387,018</u>	<u>28,300</u>	<u>28,300</u>

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 9 **Interfund Balances and Activity, Continued**

The District typically transfers from the General Fund to the Special Aid Fund to assist in funding the Summer School Handicapped Program.

The District transfers from the General Fund to the School Lunch Fund to assist with funding lunch program operating deficits.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

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

NOTE 10 **Pension Plans**

General information:

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

Provisions and administration:

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to 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.

ERS provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 10 Pension Plans, Continued

Provisions and administration, Continued:

supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies:

The Systems are non-contributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required ERS contributions by December 15, 2017 and received an overall discount of \$728.)

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

<u>Contributions</u>	<u>TRS</u>	<u>ERS</u>
2018	\$523,748	85,681
2017	524,195	90,958
2016	677,409	98,187

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 214,351	\$ (65,005)
District's portion of the Plan's total net pension asset/(liability)	0.028200%	0.0020141%
Change in proportion since the prior measurement date	\$ 488,737	\$ 141,715

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 10 Pension Plans, Continued

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

For the year ended June 30, 2018, the District's recognized pension expense of \$516,320 for TRS and \$75,701 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 176,358	23,185	83,573	19,159
Changes of assumptions	2,181,065	43,104	-	-
Net difference between projected and actual earnings on pension plan investments	-	94,414	504,859	186,365
Changes in proportion and differences Between the District's contributions and proportionate share of contributions	13,488	7,889	157,283	16,722
District's accrual for contributions to be paid subsequent to the measurement date	<u>406,090</u>	<u>22,440</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,777,001</u>	<u>191,032</u>	<u>745,715</u>	<u>222,246</u>

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

<u>Year Ended</u>	<u>TRS</u>	<u>ERS</u>
2018	\$ 27,329	-
2019	554,769	11,030
2020	390,667	6,964
2021	80,239	(48,955)
2022	389,466	(22,693)
Thereafter	182,726	-

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 10 **Pension Plans, Continued**

Actuarial Assumptions:

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7%
Salary scale	1.90% - 4.72%	3.8%
Decrement tables	July 1, 2009 - June 30, 2014	April 1, 2010 - March 31, 2015
	System's Experience	System's Experience
Inflation rate	2.5%	2.5%

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, 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, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 10 Pension Plans, Continued

Actuarial Assumptions, Continued:

<u>TRS (Measurement date June 30, 2017)</u>		<u>ERS (Measurement date March 31, 2018)</u>	
<u>Asset type</u>	<u>Percent</u>	<u>Asset type</u>	<u>Percent</u>
Domestic equities	5.9%	Domestic equities	4.55%
International equities	7.4%	International equities	6.35%
Private equities	9.0%	Private equities	7.50%
Real estate	4.3%	Real estate	5.55%
Domestic fixed income securities	1.6%	Absolute return strategies	3.75%
Global fixed income securities	1.3%	Opportunistic portfolio	5.68%
High-yield fixed-income securities	3.9%	Real assets	5.29%
Mortgages	2.8%	Bonds and mortgages	1.31%
Short-term	0.6%	Cash	(0.25%)
		Inflation-indexed bonds	1.25%

Discount Rate:

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

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

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
District's proportionate share of the net pension asset/(liability)	(\$ 3,692,636)	\$ 214,351	\$ 3,486,259

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 10 **Pension Plans, Continued**

Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption, Continued:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
District's proportionate share of the net pension asset/(liability)	(\$ 491,844)	(\$ 65,005)	\$ 296,084

Pension Plan Fiduciary Net Position:

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

	<u>TRS</u>	<u>ERS</u>
	(Dollars in Thousands)	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	(\$114,708,261)	(\$183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension asset (liability)	\$ <u>760,099</u>	(\$ <u>3,227,445</u>)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan:

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$421,736.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$22,440.

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 11 Postemployment (Health Insurance) Benefits

A. General information about the Other Postemployment Benefit Plan (OPEB)

Plan Description: The District administers a single employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District's group health insurance plan (see Note 12), which covers both active and retired members. Benefit provisions are established through negotiations between the District and unions representing District employees. The plan does not issue a publicly available financial report.

Benefits Provided: The District provides postemployment (health insurance) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The contribution requirements of the plan are negotiated between the District and union representatives. The required contribution is based on projected pay-as-you-go financing requirements. No assets are accumulated in a trust that meets the criteria in GASB Statement No 75, paragraph 4. For retirees, the District contributes between 50% - 100% of the premium cost and 35% for spouses/dependents of retirees on Medicare.

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

Inactive employees or beneficiaries currently receiving benefit payments	61
Active employees	<u>70</u>
	<u>131</u>

B. Total OPEB Liability

The District's total OPEB liability of 15,674,734 was measured as of July 1, 2017 and was determined by an actual valuation as of that date.

Actuarial Assumptions and Other Inputs- The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.0 percent, per year
Discount Rate	3.6 percent
Healthcare Cost Trend Rates	8.0 percent for 2017, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2023 and later years
Retirees Share Benefit-Related Costs	An average of 22 percent of projected health insurance premiums for pre-Medicare retirees and 50% for Medicare retirees (65 percent for spouses/dependents of retirees)

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 11 Postemployment (Health Insurance) Benefits, Continued

B. Total OPEB Liability, Continued

The discount rate was based on Bond Buyer GO-20 municipal bond index

Mortality rates were based on the RP 2014 mortality table, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

C. Changes in Total OPEB Liability

Balance as of June 30, 2017	<u>\$10,103,037</u>
 <u>Changes for the Year-</u>	
Service Cost	605,173
Interest	292,136
Changes in benefit terms	(279,983)
Differences between expected and actual experience	5,830,621
Changes in assumptions or other inputs	(565,687)
Benefit payments	<u>(310,563)</u>
Net Changes	<u>5,571,697</u>
 Balance at June 30, 2018	 <u>\$15,674,734</u>

Changes of benefit terms reflect the elimination of matrix health insurance option for retirees.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.85 percent in 2017 to 3.6 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percent point lower (2.60 percent) or 1 percent point higher (4.60 percent) than the current discount rate:

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
Total OPEB Liability	\$ <u>18,904,523</u>	\$ <u>15,674,734</u>	\$ <u>13,447,282</u>

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current healthcare cost trend rate:

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 11 Postemployment (Health Insurance) Benefits, Continued

C. Changes in Total OPEB Liability, Continued

	1% Decrease (7.0% Decreasing to 4.0%)	Healthcare Cost Trend Rates (8% Decreasing to 5.0%)	1% Increase (9.0% Decreasing to 6.0%)
Total OPEB Liability	<u>\$13,467,655</u>	<u>\$15,674,734</u>	<u>\$18,896,953</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,494,815. At June 30, 2018, the District report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,858,851	\$ -
Changes of assumptions or other inputs	-	471,406
Contributions subsequent to the measurement period	<u>354,042</u>	<u>-</u>
Total	<u>\$ 5,212,893</u>	<u>\$ 471,406</u>

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

Fiscal year ending June 30,	Amount
2019	\$ 1,231,531
2020	877,489
2021	877,489
2022	877,489
2023	<u>877,489</u>
	<u>\$ 4,741,487</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 12 Risk Management

1. General

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

2. 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, 2018, \$35,366 was paid to the plan for workers' compensation premiums.

3. 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 Member 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.

NOTE 13 Fund Balance/Net Position Prior Period Adjustments

Adjustment to beginning of year Fund Balance/Net Position for the following:

Fund Balance prior period adjustment:

• Understatement of prior period accounts payable for school lunch fund expenditures	\$ (6,122)
• Understatement of prior period accounts payable for capital projects fund expenditures	<u>(188,137)</u>
Total Fund Balance prior period adjustment	(194,259)

Net Position prior period adjustment

• Understatement of prior period Capital Assets, net	188,137
• Implementation of GASB 75 (See Note 3)	<u>(4,894,232)</u>
Total Net Position prior period adjustment	\$ <u>(4,900,354)</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

NOTE 14 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 \$237,102. The District received Payment in Lieu of Tax (PILOT) payment totaling \$237,102.

NOTE 15 Commitments and Contingencies

- A) 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.
- B) The School District is subject to a number of lawsuits and claims arising out of the conduct of its business including those relating to personal injury, personnel practices and tax certiorari proceedings. While the ultimate results of these lawsuits and claims cannot be presently determined, management has accrued an estimated liability as follows:

Accrued Judgements and Claims: 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 the properties in question. The total potential liability to the District ranges from \$-0- to approximately \$2,310,000. Management has accrued an estimated judgment liability totaling \$1,887,000 which is reflected in the District's Statement of Net Position (Deficit). At the fund level, the financial statements reflect the Board's restriction of General Fund fund balance (tax certiorari reserve) totaling \$339,121 to be used towards this potential liability. If there is an unfavorable outcome, the County would recoup what it is owed over time by withholding future annual District "make whole payments" until the full amount has been paid.

- C) The District has signed five contracts for existing construction projects totaling \$604,467. Through the year ended June 30, 2018, \$324,584 has been expended on said contracts.

NOTE 16 Subsequent Events

- A) Management has evaluated subsequent events through October 9, 2018, the date the financial statements were available to be issued.

FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER
POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>6/30/2018</u>
Measurement Date	July 1, 2017
Total OPEB Liability	
Service cost	\$ 605,173
Interest	292,136
Changes in benefit terms	(279,983)
Differences between expected and actual experience in the measurement of the total OPEB liability	5,830,621
Changes of assumptions or other inputs	(565,687)
Benefit payments	<u>(310,563)</u>
Net change in total OPEB liability	5,571,697
Total OPEB Liability - Beginning	<u>10,103,037</u>
Total OPEB Liability - Ending	<u>\$ 15,674,734</u>
Covered payroll	<u>\$ 4,167,559</u>
Total OPEB liability as a percentage of covered payroll	376%

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual	
Revenues					
Local Sources:					
Real Property Taxes	\$ 2,535,519	2,535,519	2,561,626	26,107	
Real Property Tax Items	815,860	815,860	698,747	(117,113)	
Charges for Services	42,000	42,000	67,123	25,123	
Use of Money and Property	26,700	26,700	88,894	62,194	
Miscellaneous	87,828	87,828	204,229	116,401	
Total Local Sources	<u>3,507,907</u>	<u>3,507,907</u>	<u>3,620,619</u>	<u>112,712</u>	
State Sources	7,072,467	7,072,467	7,081,554	9,087	
Medicaid Reimbursement	27,000	27,000	54,029	27,029	
Medicare Reimbursement	7,000	7,000	6,042	(958)	
Total Revenues	<u>10,614,374</u>	<u>10,614,374</u>	<u>10,762,244</u>	<u>147,870</u>	
Appropriated Fund Balance					
Prior Year Encumbrances	77	77			
Appropriated Fund Balance	262,454	2,117,454			
Total Revenues and Appropriated Fund Balance	<u>\$10,876,905</u>	<u>12,731,905</u>			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
Expenditures					
General Support:					
Board of Education	\$ 9,160	13,586	13,491	-	95
Central Administration	180,969	186,558	179,261	-	7,297
Finance	163,695	168,163	169,292	-	(1,129)
Staff	51,980	46,877	39,641	-	7,236
Central Services	652,155	609,509	553,233	-	56,276
Special Items	138,039	1,991,039	1,986,675	-	4,364
Total General Support	<u>1,195,998</u>	<u>3,015,732</u>	<u>2,941,593</u>	<u>-</u>	<u>74,139</u>
Instruction:					
Instruction, Administration & Improvement	195,822	195,822	193,066	-	2,756
Teaching - Regular School	2,687,905	2,762,462	2,768,289	372	(6,199)
Programs for Children with Handicapping Conditions	1,691,284	1,717,757	1,833,789	33,346	(149,378)
Occupational Education	159,288	100,280	92,617	-	7,663
Teaching - Special School	40,700	21,949	378	-	21,571
Instructional Media	261,670	262,529	260,119	140	2,270
Pupil Services	431,939	439,406	427,099	439	11,868
Total Instruction	<u>5,468,608</u>	<u>5,500,205</u>	<u>5,575,357</u>	<u>34,297</u>	<u>(109,449)</u>
Pupil Transportation	325,633	322,588	307,767	122	14,699
Community Services	7,000	13,714	13,714	-	-
Employee Benefits	2,844,547	2,844,547	2,528,381	-	316,166
Debt Service:					
Principal	845,000	845,000	845,000	-	-
Interest	165,119	165,119	165,119	-	-
	<u>1,010,119</u>	<u>1,010,119</u>	<u>1,010,119</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>10,851,905</u>	<u>12,706,905</u>	<u>12,376,931</u>	<u>34,419</u>	<u>295,555</u>
Other Financing Uses					
Transfers to Other Funds	25,000	25,000	28,300	-	(3,300)
Total Expenditures & Other Uses	<u>\$10,876,905</u>	<u>12,731,905</u>	<u>12,405,231</u>	<u>34,419</u>	<u>292,255</u>
Net Change in Fund Balance			(1,642,987)		
Fund Balance - Beginning			3,781,312		
Fund Balance - Ending			<u>\$ 2,138,325</u>		

See Paragraph on Supplementary Schedules Included in Independent Auditor's Report

FORT EDWARD UNION FREE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)

FOR THE YEAR ENDED JUNE 30, 2018

	Teachers' Retirement System			Employees' Retirement System	
	6/30/2017	6/30/2016		3/31/2017	3/31/2016
District's proportion of the net pension asset (liability)	0.028200%	0.025619%	0.025725%	0.025900%	0.025900%
District's proportionate share of the net pension asset (liability) \$	214,351	(274,386)	2,672,035	2,885,103	2,885,103
District's covered-employee payroll	4,468,837	4,033,480	3,927,315	3,897,418	3,897,418
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	4.80%	6.80%	68.04%	74.03%	74.03%
Plan fiduciary net position as a percentage of the total pension asset (liability)	100.66%	99.01%	110.46%	111.48%	111.48%
District's proportion of the net pension asset (liability)	0.0020141%	0.0022000%	0.0024038%	0.0025006%	0.0025006%
District's proportionate share of the net pension liability \$	(65,005)	(206,720)	(385,812)	(84,475)	(84,475)
District's covered-employee payroll	574,095	592,200	613,839	617,846	617,846
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.32%	34.91%	62.85%	13.67%	13.67%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%	97.90%

See Paragraph on Supplementary Schedules Included in Independent Auditor's Report

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**

FOR THE YEAR ENDED JUNE 30, 2018

	Teachers' Retirement System									
	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Contractually required contribution	\$ 523,748	524,195	677,409	621,699	467,606	432,111	337,649	246,440	303,305	340,980
Contributions in relation to the contractually required contribution *	523,748	524,195	677,409	621,699	467,606	432,111	337,649	246,440	303,305	340,980
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,468,837	4,033,480	3,927,315	3,897,418	4,016,123	3,945,566	3,971,617	4,031,485	3,974,973	3,905,836
Contributions as a percentage of covered-employee payroll	11.72%	13.00%	17.25%	15.95%	11.64%	10.95%	8.50%	6.11%	7.63%	8.73%

	Employees' Retirement System									
	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014	3/31/2013	3/31/2012	3/31/2011	3/31/2010	3/31/2009
Contractually required contribution	\$ 85,681	90,958	98,187	125,186	118,582	109,242	96,912	78,361	41,513	44,876
Contributions in relation to the contractually required contribution	85,681	90,958	98,187	125,186	118,582	109,242	96,912	78,361	41,513	44,876
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 574,095	592,200	613,839	617,846	623,290	616,413	666,710	651,403	659,055	671,738
Contributions as a percentage of covered-employee payroll	14.92%	15.36%	16.00%	20.26%	19.03%	17.72%	14.54%	12.03%	6.30%	6.68%

* Contributions are paid in the following year.

FORT EDWARD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET
TO FINAL BUDGET AND THE REAL
PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 10,857,000
Add: Prior Year's Encumbrances	77
Bus Lease (Voter Approved)	<u>19,828</u>
Original Budget	10,876,905
Budget Revision - Refund on real property taxes	1,855,000
Final Budget	<u><u>\$ 12,731,905</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 Voter-approved expenditure budget	<u>\$ 11,391,256</u>
Maximum allowed (4% of 2018-19 budget)	<u>\$ 455,650</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 243,772
Unassigned fund balance	<u>730,235</u>
Total unrestricted fund balance	<u>974,007</u>
Less:	
Appropriated fund balance	209,353
Encumbrances included in assigned fund balance	<u>34,419</u>
Total adjustments	<u>243,772</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 730,235</u></u>
Actual percentage	6.4%

See Paragraph on Supplementary Schedules Included in Independent Auditor's Report

FORT EDWARD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

Project Title	Original Appropriation	Revised Appropriation	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance (Deficit) June 30, 2018
			Prior Years (Restated)	Current Year			Total	State Aid	Local Sources	
Building Improvements	\$ 4,720,000	4,720,000	285,338	54,338	4,380,324	-	-	200,000	200,000	(139,676)
Smart School Bond Act	\$ 203,600	203,600	-	10,245	193,355	-	-	-	-	(10,245)
	<u>\$ 4,923,600</u>	<u>4,923,600</u>	<u>285,338</u>	<u>64,583</u>	<u>4,573,679</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>(149,921)</u>

See Paragraph on Supplementary Schedules Included in Independent Auditor's Report

FORT EDWARD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018

Capital Assets, net	<u>\$ 10,779,005</u>
Deduct:	
Bond Anticipation Note Payable	1,200,000
Less: Unspent Bond Anticipation Note Proceeds	(1,060,324)
Short-term Portion of Bonds Payable	875,000
Long-term Portion of Bonds Payable	<u>3,680,000</u>
	<u>4,694,676</u>
Net Investment in Capital Assets	<u><u>\$ 6,084,329</u></u>

See Paragraph on Supplementary Schedules Included in Independent Auditor's Report

FLYNN, WALKER, DIGGIN C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of the
Fort Edward Union Free School District
Fort Edward, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fort Edward Union Free School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fort Edward Union Free School District's basic financial statements and have issued our report thereon dated October 9, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. See findings 2018-001, 2018-002, 2018-003 and 2018-004.

Compliance and Other Matters

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

Fort Edward Union Free School District's Response to Findings

Fort Edward Union Free School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Fort Edward Union Free School 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.


FLYNN, WALKER, DIGGIN C.P.A., P.C.

October 9, 2018

FORT EDWARD UNION FREE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2018

Financial Statement Findings:

2018-001 Reconciliation of Accounts and Account Groups

Condition and Criteria: During our audit procedures we noted that certain General Fund (Cash, Receivables, Interfund Receivables/Payables, Accounts Payable and Unassigned Fund Balance) and Long Term Debt Account Group (Bonds Payable and Other Post Employment Benefits) balance sheet accounts were not reconciled and adjusted to their correct year end balances. The reconciliation process plays a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements.

Context and Cause: The District Treasurer's lack of accounting oversight and familiarity with the totality of the various items that comprise the District's complete set of books and records, which includes the year-end closing process, was a contributing factor for the condition outlined above.

Effect: Absent auditor involvement and proposed adjustments, the District's financial statements at June 30, 2018 would have been materially misstated.

Repeat Finding: Finding 2018-001 is a repeat of finding 2017-001, Reconciliation of Accounts and Account Groups from the audit of fiscal year ended June 30, 2017

Recommendation: A thorough understanding and continual review of fund accounts along with the interaction between the various funds and account groups of the District and their importance to presenting accurate financial statement information is a primary function of the District Treasurer. We recommend, therefore, the District Treasurer should review and adhere to established procedures including, but not limited to, preparing, recording and/or reviewing necessary adjustments to all funds and account groups to ensure that the District's financial information is fairly stated.

View of Responsible Officials and Planned Corrective Action: The District agrees with the auditor's observation and will implement said recommendation.

FORT EDWARD UNION FREE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2018

Financial Statement Findings, Continued:

2018-002 Cutoff of Cash Disbursements, Capital Projects

Condition and Criteria: During our audit procedures we noted payments for capital project related services (\$188,137) should have been recorded as expenditures and shown as accounts payable at June 30, 2017.

Context and Cause: Management did not follow existing control procedures of timely recording vendor invoices when received which allowed for improper cutoff of capital project expenditures.

Effect: Absent auditor involvement and proposed prior period adjustment, the District's capital project expenditures for the year ended June 30, 2018 would have been materially misstated.

Recommendation: Internal control procedures should be adhered to in an effort to avoid inaccurate reporting of financial statement information.

View of Responsible Officials and Planned Corrective Action: The District agrees with the auditor's observation and will implement said recommendation.

2018-003 General Fund Unassigned Fund Balance Exceeding 4%

Condition: The District's General Fund unassigned fund balance at June 30, 2018 (\$730,235) was 6.4% of the 2018-19 budget.

Criteria: The amount of unassigned fund balance allowed by real property tax law §1318 is 4% of the subsequent year's General Fund budget.

Cause: Recurring underspending of General Fund budgeted expenditures.

Effect: General Fund unassigned fund balance exceeded 4% at June 30, 2018 resulting in the District violating the aforementioned real property tax law.

Recommendation: Budgetary processes should more accurately reflect the future expenditures of the District in an effort to bring General Fund unassigned fund balance into compliance.

Views of Responsible Officials and Planned Corrective Actions: The District is aware of this overage in fund balance and will continue to monitor this situation during the 2018-19 school year in furthering their effort to comply with existing law.

FORT EDWARD UNION FREE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2018

2018-004 General Fund Budget Transfers

Condition: Overall the General Fund budget was not overspent, however, certain General Fund expenditure line items exceeded their budgeted amounts.

Criteria: General Fund expenditure line items should be kept within budget.

Cause: The District failed to make timely budgetary transfers to avoid overspent line items.

Effect: Four expenditure line items (see Supplemental Schedule 2) exceeded final budgeted amounts.

Recommendation: Internal control procedures should be adhered to, including reviewing year to date spending and taking the necessary steps to make timely approved budgetary transfers, in an effort to prevent expenditures from exceeding the respective line item.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and recommendation and procedures will be implemented.

FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2017-001 Reconciliation of Accounts and Account Groups

Condition: This finding was a material weakness describing that accounts were not reconciled to their correct year end balances.

Recommendation: The auditor recommended that the District Treasurer should review and adhere to established procedures including, but not limited to, preparing, recording and/or reviewing necessary adjustments to all funds and account groups to ensure that the District's financial information is fairly stated.

Current Status: The recommendation was not fully implemented and a similar finding was reported for the fiscal year ended June 30, 2018, see finding 2018-001 on the Schedule of Findings and Responses.

2017-002 Netting of Balance Sheet Accounts

Condition: The District held a check dated June 30, 2017 (\$167,652) which was not mailed until July 2017. Said check was then included in the list of June 30, 2017 outstanding checks which would have incorrectly netted an asset and liability.

Recommendation: The auditor recommended that internal control procedures surrounding cash management should be adhered to in an effort to avoid inaccurate reporting of financial statement information.

Current Status: The District implemented auditor recommendation. No similar findings were noted during the 2018 audit.

2017-003 Student Meals Charged at Satellite Location

Condition: District did not monitor the charging of student meals at the Dix Avenue BOCES feeding site during the year ended June 30, 2017 resulting in a request for reimbursement from BOCES (\$4,094) for charged meals for students not residing in Fort Edward Union Free School District.

Recommendation: The District should implement monitoring procedures similar to those utilized at its' other feeding locations.

Current Status: The District implemented auditor recommendation. No similar findings were noted during the 2018 audit.

FLYNN, WALKER, DIGGIN C.P.A., P.C.

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INDEPENDENT AUDITOR'S REPORT EXTRACLASSROOM ACTIVITY FUNDS

To the Board of Education
Fort Edward Union Free School District
Fort Edward, New York:

We have audited the accompanying financial statements of the Extraclassroom Activity Funds of the Fort Edward Union Free School District, which comprise the statement of assets, liabilities and fund balances-cash basis as of June 30, 2018, and the related statement of cash receipts and disbursements-cash basis for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Basis of Accounting

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

Flynn, Walker, Diggin CPA, P.C.
FLYNN, WALKER, DIGGIN C.P.A., P.C.

October 9, 2018

FORT EDWARD UNION FREE SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES (CASH BASIS)

JUNE 30, 2018

Assets

Cash	<u>\$ 16,339.30</u>
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Liabilities and Fund Balances

Fund Balances	<u>\$ 16,339.30</u>
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See Note to These Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2018

<u>Activity</u>	<u>Balance July 1, 2017</u>	<u>Receipts/ Transfers</u>	<u>Disbursements/ Transfers</u>	<u>Balance June 30, 2018</u>
Class of 2017	\$ 543.52	-	543.52 *	-
Class of 2018	1,731.69	1,149.87	2,366.48	515.08
Class of 2019	1,165.82	6,784.29	4,472.09	3,478.02
Class of 2020	1,119.31	51.09	69.61	1,100.79
Class of 2021	-	1,097.51	-	1,097.51
Band	512.76	9,218.90	5,866.11	3,865.55
Boys Basketball/Baseball	384.30	1,459.21	1,800.26	43.25
Cheerleaders	504.73	416.07	608.52	312.28
Choir	16.14	214.39	214.37	16.16
Football Club	2,722.38	6,539.92	7,072.09	2,190.21
Girls Basketball	14.93	2,302.57	2,316.30	1.20
Honor Society	342.01	845.85	-	1,187.86
Key Club	169.76	1,651.08	1,820.00	0.84
Music Honor Society	223.29	437.23	423.79	236.73
Softball Club	120.08	0.12	-	120.20
Student Council	93.92	193.19	-	287.11
Trap Club	-	5,082.45	4,352.00	730.45
Volleyball Club	971.47	2,356.52	2,345.87	982.12
Yearbook	1,334.68	7,935.27 *	9,096.01	173.94
Total	<u>\$ 11,970.79</u>	<u>47,735.53</u>	<u>43,367.02</u>	<u>16,339.30</u>

* This includes a transfer of \$543.52 to Yearbook.

See Note to These Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Fort Edward Union Free School District. Consequently, such transactions are not included in the financial statements of the School District other than the recording of an asset and liability in the Fiduciary (Agency) Fund (see Statement E).

The accounts of the Extraclassroom Activity Fund of the Fort Edward Union Free School District are maintained on a cash basis, and the statements of assets, liabilities and fund balances and of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements.

FLYNN, WALKER, DIGGIN C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S LETTER TO MANAGEMENT

October 9, 2018

CONFIDENTIAL

Board of Education
Fort Edward Union Free School District
220 Broadway
Fort Edward, New York 12828

Dear Board Members:

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. In our 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*, we identified four deficiencies in internal control that we considered to be material weaknesses (see finding 2018-001, 2018-002, 2018-003 and 2018-004 on pages 63 - 65).

We did identify several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 9, 2018 on the financial statements of Fort Edward Union Free School District. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel. Our comments are summarized as follows:

Outstanding Checks

The District has small number of outstanding checks that are older than three years. We suggest that the Board implement an official policy to resolve checks that have been outstanding for more than three years as they would qualify as abandoned property and should be paid to the State Comptroller as unclaimed funds. For more information on unclaimed funds contact the New York State Office of the State Comptroller (www.osc.state.ny.us).

Cash Management

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. We noted cash transfers during the fiscal year did not eliminate the beginning balances. We suggest that the District monitor and transfer funds to timely eliminate interfund borrowings.

The District understated reported expenditures (\$5,682) incurred under the Title IIA program. This resulted in unreimbursed expenditures being absorbed by the General Fund for the fiscal year ended June 30, 2018. Although management determined that said monies will be available for the program in the current program year. Procedures should be implemented to ensure the District receives reimbursement timely.

Extraclassroom Activity Funds

Only bonafide student organizations should be included in the Extraclassroom Activity Fund and any non-operating activities should be closed into another organized club designated by the Board of Education. During our audit of the Extraclassroom Activity Funds, we noted that Softball and Choir Club had minimal financial activity during the fiscal year ended June 30, 2018. During the 2018-2019 school year, we recommend that the District evaluate the viability of these clubs and, if deemed necessary, take the appropriate action to liquidate the remaining monies.

Additionally, audit procedures noted that a sample of Junior Class cash disbursements lacked the student treasurer signature. We suggest the District review its policies and procedures with personnel to ensure compliance with New York State's pamphlet "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds" which can be found online at: www.p12.nysed.gov/mgtserv/accounting/.

We thank the School District personnel for their courtesy and assistance extended to us during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Flynn, Walker, Diggin CPA, PC.
FLYNN, WALKER, DIGGIN C.P.A., P.C.