

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2019**

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Waterford-Halfmoon Union Free School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Waterford-Halfmoon Union Free School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Correction of Errors

As discussed in Note 5 to the financial statements, the District incorrectly recorded amounts in prior years related to deferred inflows, deferred outflows, interfund transfers, capital assets, accumulated depreciation, revenue and accounts receivable. Accordingly, an adjustment has been made to fund equity in the general fund, capital projects fund, as well as net position in the district-wide financial statements at July 1, 2018. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1-A10, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of district contributions on page C5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedules

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

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules 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 November 22, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

November 22, 2019

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2019 are as follows:

- In total, the net position increased the District's financial status remained fairly consistent during the 2018-2019 school year. Total net position increased by \$831,456 over the course of the year.
- General revenues accounted for \$19,524,900 in revenue or 95.2% of all revenues. Program specific revenues, in the form of charges for services, sales, grants, and contributions, accounted for \$986,463 or 4.8% of total revenues of \$20,511,363.
- The District had \$19,681,438 in expenditures related to governmental activities; only \$987,994 of these expenditures were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes and state aid) of \$19,524,900 were adequate to provide these programs during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1 summarizes the major features of the district's financial statements, including the portal of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

TABLE A-1: MAJOR FEATURES OF THE DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

	District-Wide	Fund Financial Statements	
	Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities and changes in net position 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund equity 	<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

DISTRICT-WIDE FINANCIAL STATEMENTS

The *District-wide financial statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District.

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. retirement system liabilities and earned but unused vacation leave).

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

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

In the District-wide financial statements, the District's activities are shown as Governmental activities. Most of the 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.

Net Position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - 1) Net Position invested in capital assets, net of related debt;
 - 2) Restricted net position are those with constraints placed on the use by external sources (creditors, granters, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and
 - 3) Unrestricted net position is net positions that do not meet any of the above restrictions.

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

FUND FINANCIAL STATEMENTS

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

- Some funds have been established by the laws of the State of New York and by bond covenants.
- The District establishes other funds to control and to management money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two types of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$1,743,065 at June 30, 2019.

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

Table A-2

Condensed Statement of Net Position (in thousands of dollars)			
	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Current and Other Assets	\$10,466	\$ 12,555	(16.64%)
Capital Assets	\$25,500	\$ 23,403	8.96%
Net Pension Asset	\$712	\$ 311	128.94%
Total Assets	\$36,678	\$ 36,269	1.13%
Deferred Outflows of Resources	\$5,626	\$ 4,564	23.27%
Current Liabilities	\$2,795	\$ 6,758	(58.64%)
Non-Current Liabilities	\$34,126	\$ 29,676	15.67%
Net Pension Liability	\$333	\$ 163	104.29%
Total Liabilities	\$37,254	\$ 36,597	1.80%
Deferred Inflows of Resources	\$3,307	\$ 4,635	(28.65%)
Capital Assets, Net of Related Debt	\$11,900	\$ 8,194	45.23%
Restricted	\$5,363	\$ 5,370	(0.13%)
Unrestricted	\$(15,520)	\$ (13,964)	11.14%
Total Net Position	\$1,743	\$ (400)	(535.75%)

Most of the District's net position is invested in capital assets (buildings, land and equipment). The remaining unrestricted net position is a combination of assigned, unassigned and non-spendable amounts. The restricted balances are amounts set-aside to fund future purchases, debt payments, tax certioraris, retirement contributions, unemployment insurance benefits, workers compensation benefits or capital projects as planned by District.

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

Table A-3

Condensed Statement of Net Position (in thousands of dollars)			
	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Revenues			
Program Revenues			
Charges for Services	\$223	\$246	-9.76%
Operating Grants	\$713	\$706	0.99%
Capital Grants	\$51	\$0	100.00%
General Revenues			
Property Taxes	\$11,069	\$10,956	1.03%
State Aid	\$7,811	\$8,221	-4.99%
Investment Earnings	\$72	\$6	1100.00%
Other	\$573	\$184	211.41%
Total Revenues	<u>\$20,512</u>	<u>\$20,319</u>	<u>0.94%</u>
Expenses			
Instruction	\$ 10,188	\$9,626	5.84%
General Support	\$1,810	\$1,590	13.77%
Pupil Transportation	\$1,358	\$1,296	4.78%
Employee Benefits	\$4,857	\$4,333	16.69%
Depreciation Expense	\$660	\$681	-3.08%
Food Services	\$338	\$311	8.68%
Capital Outlay	\$78	\$0	100.00%
Debt Service Expense	\$392	\$311	26.05%
Total Expenses	<u>\$19,681</u>	<u>\$18,148</u>	<u>9.54%</u>
Increase (Decrease) In Net Position	\$831	\$2,171	(8.59%)

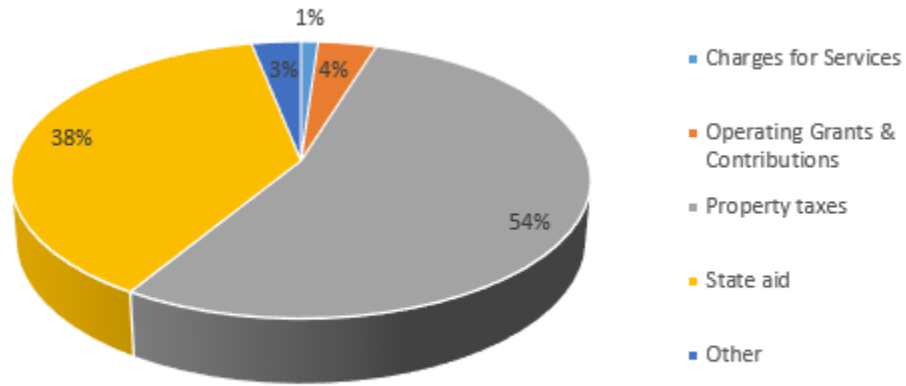
Government Activities

Revenues for the District's governmental activities totaled \$20,512,894 while total expenses equaled \$19,681,438. Therefore, the increase in net position for governmental activities was \$831,456 in the fiscal year 2018-2019.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2019

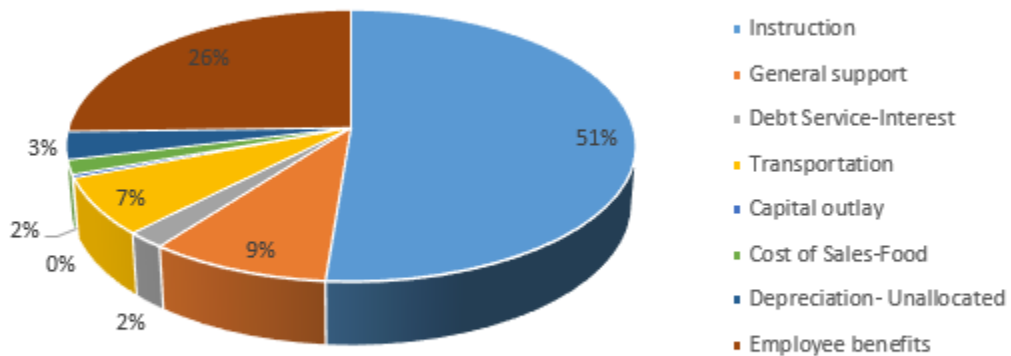
Sources of Revenues for Fiscal Year 2019

Table A-4



Expenses for Fiscal Year 2019

Table A-5



WATERFORD - HALFMOON UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Table A-5
Fiscal Year Ended June 30, 2019
Net Cost of Governmental Activities

<u>Category</u>	<u>Total Cost</u>	<u>Net Cost</u>
Instruction	\$10,187,886	\$9,554,710
General Support	\$1,810,165	\$1,810,165
Pupil Transportation	\$1,358,445	\$1,358,445
Employee Benefits	\$4,857,088	\$4,857,088
Depreciation	\$659,730	\$659,730
Food Service	\$337,584	\$33,645
Debt Service	\$392,297	\$392,297
Capital Outlay	\$78,243	\$27,364
Total	<u>\$19,681,438</u>	<u>\$18,693,444</u>

- The cost of all governmental activities this year was \$19,681,438.
- The users of the District's programs financed some of the cost at \$223,531.
- The federal and state governments subsidized certain programs with grants of \$764,463.
- Most of the District's net costs \$18,693,444 was financed by taxpayers and state aid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

There are significant variances reflected in the governmental fund financial statements for the fiscal year 2018 -2019. They are as follows:

- In the fiscal year 2018 - 2019, the District's cash decreased \$7,878,007 due to the costs of the capital project, which were spent for capital outlay expenditures as of June 30, 2019 as well as moving of funds to investments.
- In the fiscal year 2018 -2019, the District's liabilities decreased \$3,962,806 mostly due to the refinancing of bond anticipation notes to long-term debt.

At June 30, 2019, the District governmental funds reported a combined fund balance of \$9,624,578, which is an increase of \$2,246,884 prior to the prior period adjustment.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2019, the District had \$25,500,291 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$2,045,545 or 9.0% from last year.

WATERFORD - HALFMOON UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Table A-6
Capital assets - net of depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$ 120,000	\$ 120,000
Construction-In-Progress	\$ 9,676,650	\$ 7,030,425
Buildings and improvements	\$ 15,367,658	\$ 15,983,834
Furniture and Equipment	\$ 335,983	\$ 294,060
Total	<u>\$ 25,500,291</u>	<u>\$ 23,428,319</u>

See Notes in the financial statement for changes.

DEBT ADMINISTRATION

At year end, the District had \$13,599,902 in general obligation and other long-term debt outstanding. More detailed information about the District's long-term liabilities is presented in Notes to the financial statements.

**Table A-7 Outstanding
Long-Term Debt**

Category	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General Obligation Bonds	\$ 13,599,902	\$ 10,830,000
Other General Obligation Debt	\$ -0-	\$ -0-
Total	<u>\$ 13,599,902</u>	<u>\$ 10,830,000</u>

During the year, the District paid \$1,610,000 towards its long-term debt obligations.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Waterford-Halfmoon School District (District) is facing the same economic factors as are most New York State schools. The District's tax levy for this year will be below the 2% levy limit amount. The District, as with other districts, is experiencing an increase in health insurance costs from both an increase in premiums and costs associated with the increase of retirees covered by the district. Additionally, the District may be affected by the outcome of a tax certiorari action for a sizeable parcel filed by MPM Silicones, LLC.

Despite these factors, the District has adopted a budget which remains within the 2% tax levy limit and continues to operate in a positive financial position. The District has been successful in passing budgets for several years and receiving positive voter approval for several construction projects. In December of 2012, the voters approved a \$9,679,902 construction project which focused on safety issues, energy efficiency, handicap accessibility and upgrades to the classroom that date back to the buildings original construction. The project was divided in three phases, all of which were complete as of the fall of 2018. The 2018-19 budget contained funding for a small capital project for the replacement of interior doors and exterior doors for safety purposes. This project was completed in the spring of 2019.

**WATERFORD - HALFMOON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Additionally, the District has proposed a \$15.18 million capital project which will be voted on by residents on December 10, 2019. The proposed project includes two propositions; one focuses on building work such as upgrades to lighting, power, communications, fire alarms and updates and repairs to the mechanical system, cooling tower, plumbing system and flooring, walls and ceilings. The second proposition is for the replacement of the existing end-of-life sports track and replacing an existing soccer field which currently has drainage issues.

The District's continued conservative approach has again allowed us to make major investments in staff development, student achievement, program enhancements and technology upgrades. The District began its 1 to 1 Chromebook initiative in 2016 and all students in grades 4 – 12 now have Chromebooks. Student participation in VOTEC programs and early college studies has remained stable in the current year. STEM initiatives were started in the 2018 school year. A Cisco program was added in the high school.

The District has approximately 415 students in the K-6 and 390 students in the 7-12. Enrollment has remained stable for several years. In the start of the new fiscal year we have seen an increase in enrollment in the elementary grades.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Waterford - Halfmoon Union Free School
District Attn: Patrick Pomerville
Superintendent of Schools
Middletown Road
Waterford, New York 12188
(518) 237 - 0800

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Current Assets:	
Cash - unrestricted	\$ 1,786,501
Cash - restricted	2,079,644
Investments - unrestricted	1,477,513
Investments - restricted	4,071,588
State and Federal Aid Receivable	992,722
Other Receivables, net	39,840
Inventories	17,059
Capital Assets, net	25,500,291
Net Pension Asset, Proportionate Share	712,271
Total Assets	<u>36,677,429</u>
Deferred Outflows of Resources:	
Pensions	4,118,000
Other Postemployment Benefits Payable	1,508,411
Total Deferred Outflows of Resources	<u>5,626,411</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 42,303,840</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 308
Retainage Payable	26,427
Accrued Liabilities	34,096
Due to Fiduciary Fund	185
Due to Other Governments	15,934
Due to Teachers' Retirement System	732,107
Due to Employees' Retirement System	54,219
Bond Interest Accrued	13,278
Refundable Advances	3,440
Long-Term Liabilities - Due and Payable Within One Year:	
Bonds	1,914,902
Long-Term Liabilities - Due and Payable After One Year:	
Bonds	11,685,000
Compensated Absences	720,272
Other Postemployment Benefits Payable	21,720,599
Net Pension Liability, Proportionate Share	332,740
Total Liabilities	<u>37,253,507</u>
Deferred Inflows of Resources:	
Pensions	1,045,053
Other Postemployment Benefits	2,262,215
Total Deferred Inflows of Resources	<u>3,307,268</u>

NET POSITION

Net Investment in Capital Assets	11,900,389
Restricted	5,363,491
Unrestricted	<u>(15,520,815)</u>
Total Net Position	<u>1,743,065</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 42,303,840</u>

See accompanying notes to financial statements.

B1.

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
FUNCTIONS AND PROGRAMS					
General Support	\$ 1,810,165	\$ -	\$ -	\$ -	\$ (1,810,165)
Instruction	7,455,757	105,836	527,340	-	(6,822,581)
Special Education	2,732,126	-	-	-	(2,732,126)
Pupil Transportation	1,358,445	-	-	-	(1,358,445)
Employee Benefits	4,857,088	-	-	-	(4,857,088)
Debt Service	392,297	-	-	-	(392,297)
Depreciation - Unallocated	659,730	-	-	-	(659,730)
Capital Outlay	78,243	-	-	50,879	(27,364)
School Lunch Program	337,584	117,695	186,244	-	(33,645)
Total Functions and Programs	\$ <u>19,681,438</u>	\$ <u>223,531</u>	\$ <u>713,584</u>	\$ <u>50,879</u>	<u>(18,693,444)</u>
GENERAL REVENUES					
Real Property Taxes					11,068,776
Use of Money and Property					72,006
Sale of Property and Compensation for Loss					2,513
State Sources					7,811,334
Federal Sources					141,689
Miscellaneous					428,582
Total General Revenues					<u>19,524,900</u>
Change in Net Position					<u>831,456</u>
Total Net Position - Beginning of Year, As Previously Reported					(399,907)
Prior Period Adjustment - See Note 5					<u>1,311,516</u>
Total Net Position - Beginning of Year, as Restated					<u>911,609</u>
Total Net Position - End of Year					\$ 1,743,065

See accompanying notes to financial statements.

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash - unrestricted	\$ 1,296,320	\$ 163,520	\$ 326,661	\$ -	\$ -	\$ 1,786,501
Cash - restricted	1,160,000	-	-	50,975	868,669	2,079,644
Investments - unrestricted	1,477,513	-	-	-	-	1,477,513
Investments - restricted	3,567,948	-	-	503,640	-	4,071,588
State and Federal Receivable	399,114	13,407	500,024	-	80,177	992,722
Due From Other Funds	1,226,262	-	108,424	113	135,000	1,469,799
Other Receivables, net	39,840	-	-	-	-	39,840
Inventories	-	17,059	-	-	-	17,059
Total Assets	<u>\$ 9,166,997</u>	<u>\$ 193,986</u>	<u>\$ 935,109</u>	<u>\$ 554,728</u>	<u>\$ 1,083,846</u>	<u>\$ 11,934,666</u>
LIABILITIES						
Accounts Payable	\$ 308	\$ -	\$ -	\$ -	\$ -	\$ 308
Accrued Liabilities	27,519	6,577	-	-	-	34,096
Due to Other Funds	243,424	46,963	916,470	-	263,127	1,469,984
Due to Other Governments	789	-	15,145	-	-	15,934
Due to Teachers' Retirement System	732,107	-	-	-	-	732,107
Due to Employees' Retirement System	54,219	-	-	-	-	54,219
Refundable Advances	-	-	3,440	-	-	3,440
Total Liabilities	<u>1,058,366</u>	<u>53,540</u>	<u>935,055</u>	<u>-</u>	<u>263,127</u>	<u>2,310,088</u>
FUND EQUITY (DEFICIENCY)						
Non-spendable	-	17,059	-	-	-	17,059
Restricted	4,727,948	-	-	554,728	80,815	5,363,491
Committed	-	-	-	-	-	-
Assigned	1,784,467	123,387	54	-	739,904	2,647,812
Unassigned	1,596,216	-	-	-	-	1,596,216
Total Fund Equity (Deficiency)	<u>8,108,631</u>	<u>140,446</u>	<u>54</u>	<u>554,728</u>	<u>820,719</u>	<u>9,624,578</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency)	<u>\$ 9,166,997</u>	<u>\$ 193,986</u>	<u>\$ 935,109</u>	<u>\$ 554,728</u>	<u>\$ 1,083,846</u>	<u>\$ 11,934,666</u>

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

Governmental fund equity per above	\$ 9,624,578
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	25,500,291
Retainage Payable is not due and payable in the current period and, therefore, not reported in the funds.	(26,427)
Accrued Interest	(13,278)
Long-term liabilities, including bonds payable, loss on refunding, judgments and claims and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(36,040,773)
Net Pension Asset	712,271
Net Pension Liability	(332,740)
Deferred Inflows of Resources Related to Pensions and OPEB	(3,307,268)
Deferred Outflows of Resources Related to Pensions and OPEB	5,626,411
Net position of governmental activities	<u>\$ 1,743,065</u>

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

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Real Property Taxes and Tax Items	\$ 11,068,776	\$ -	\$ -	\$ -	\$ -	\$ 11,068,776
Charges for Services	105,836	-	-	-	-	105,836
Use of Money and Property	65,626	189	-	6,191	-	72,006
Sale of Property and Compensation for Loss	2,513	-	-	-	-	2,513
Miscellaneous	428,582	-	-	-	-	428,582
State Sources	7,811,334	5,764	126,722	-	50,879	7,994,699
Federal Sources	141,689	180,480	400,618	-	-	722,787
Sales	-	117,695	-	-	-	117,695
Total Revenues	19,624,356	304,128	527,340	6,191	50,879	20,512,894
Expenditures						
General Support	1,841,362	150,655	-	-	-	1,992,017
Instruction	9,664,945	-	577,221	-	-	10,242,166
Pupil Transportation	1,358,445	-	-	-	-	1,358,445
Employee Benefits	4,167,354	57,286	-	-	-	4,224,640
Debt Service						
Principal	1,610,000	-	-	-	-	1,610,000
Interest	390,960	-	-	-	-	390,960
Cost of Sales	-	129,643	-	-	-	129,643
Capital Outlay	-	-	-	-	2,698,041	2,698,041
Total Expenditures	19,033,066	337,584	577,221	-	2,698,041	22,645,912
Excess (Deficiency) of Revenues Over Expenditures	591,290	(33,456)	(49,881)	6,191	(2,647,162)	(2,133,018)
Other Sources And (Uses)						
Interfund Transfers, net	(112,881)	-	49,881	(37,000)	100,000	-
Proceeds of Long-Term Debt	-	-	-	-	4,379,902	4,379,902
Total Other Sources (Uses)	(112,881)	-	49,881	(37,000)	4,479,902	4,379,902
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	478,409	(33,456)	-	(30,809)	1,832,740	2,246,884
Fund Equity (Deficiency) - Beginning of Year As Originally Reported	7,256,230	173,902	54	585,537	(929,115)	7,086,608
Prior Period Adjustment - See Note 5	373,992	-	-	-	(82,906)	291,086
Fund Equity (Deficiency) - Beginning of Year As Restated	7,630,222	173,902	54	585,537	(1,012,021)	7,377,694
Fund Equity (Deficiency) - End of Year	\$ 8,108,631	\$ 140,446	\$ 54	\$ 554,728	\$ 820,719	\$ 9,624,578

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

Net changes in fund equity - total governmental funds	\$	2,246,884
Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.		
Depreciation expense	\$	(659,730)
Capital outlays, excluding retainage	<u>2,705,275</u>	2,045,545
Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2018/19 results in more expense.		
		(1,337)
Proceeds of serial bond principal is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net assets.		
		(4,379,902)
Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,610,000
Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds including the following:		
Compensated absences	\$	(607,478)
Other postemployment benefit		(205,288)
TRS pension adjustments		142,918
ERS pension adjustments	<u>(19,886)</u>	<u>(689,734)</u>
Change in net position - governmental activities	\$	<u>831,456</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash - unrestricted	\$ 76,189	\$ -
Cash - restricted	220,636	40,038
Due from other funds	<u>185</u>	<u>-</u>
Total Assets	\$ <u><u>297,010</u></u>	\$ <u><u>40,038</u></u>
 LIABILITIES		
Extraclassroom activity balances	\$ 48,354	\$ -
Other liabilities	<u>248,656</u>	<u>-</u>
Total Liabilities	\$ <u><u>297,010</u></u>	\$ <u><u>-</u></u>
 NET POSITION		
Reserved for scholarships		\$ <u><u>40,038</u></u>

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

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ 705
Investment earnings	<u>49</u>
Total Additions	<u>754</u>
 DEDUCTIONS	
Scholarships and awards	<u>2,354</u>
Total Deductions	<u>2,354</u>
Change in Net Position	(1,600)
Net Position - Beginning of year	<u>41,638</u>
Net Position - End of year	\$ <u><u>40,038</u></u>

See accompanying notes to financial statements.

B6.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Waterford-Halfmoon 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 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of an entity included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Fund

The extraclassroom activity fund of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity fund is 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 fund can be found at the District's business office, located at 125 Middletown Road, Waterford, New York.

B. Joint Venture

The District is a component district in Washington-Saratoga-Warren-Hamilton-Essex Counties Board of Cooperative Educations Services. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-(4)(b)(7) of the General Municipal Law.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

During the year ended June 30, 2019, the Waterford-Halfmoon Union Free School District was billed \$2,294,569 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$616,019. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide statements

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

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

Fund financial statements

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

The District reports the following major governmental funds:

I. Governmental Funds

General Fund

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

I. Governmental Funds

Capital Projects Fund

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

Special Aid Fund

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

School Lunch Fund

Used to account for transactions of the District's lunch and breakfast programs.

Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

II. Fiduciary Funds

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

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

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.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available when levied.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other postemployment benefits payable, pensions, 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 sources.

E. Refundable Advances

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

F. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 16, 2018. Taxes were collected during the period September 1 through October 31, 2018.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes

II. Enforcement

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

G. Restricted Resources

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

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which 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 located in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

From Additional Revenues:

Expenses associated with Donations	\$ 54,506
Total Supplemental Appropriations	<u>\$ 54,506</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

- d. 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.
- e. 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.

II. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund 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.

III. Budget Basis of Accounting

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

I. Cash and Investments

The District investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Accounts Receivable

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

K. Inventories and Prepaid Items

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

Prepaid items, if any, 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 consumptional method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund equity in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

L. Interfund Transactions

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

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

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

Refer to Note 2.A.II for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

M. Equity Classifications

District-wide statements:

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

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

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

Fund statements:

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$17,059.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The Capital Projects Fund has encumbrances. (See definition of encumbrances below).

The District has established the following restricted fund equity:

Debt Service

According to General Municipal Law §6-1, this reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond issue proceeds not utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated.

Employee Benefit Accrued Liability

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserve funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Effective April 1, 2019, a Board may adopt a resolution establishing sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payments into the sub-fund up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. The portion of the reserve set aside for the Employee's Retirement System is \$428,672 and for the Teacher's Retirement System is \$117,000.

Tax Certiorari Reserve

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

Capital Reserve

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 voters. The form for the required legal notice for the note 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.

Restricted fund equity includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 1,160,000
Retirement Contributions - ERS	428,672
Retirement Contributions - TRS	117,000
Tax Certiorari	2,989,344
Capital Reserve	<u>32,932</u>
Total General Fund	4,727,948
Debt Service Fund	554,728
Capital Projects Fund - Encumbrances	<u>80,815</u>
Total Restricted Funds	<u>\$ 5,363,491</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

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

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$312,734. Appropriated fund equity in the General Fund amounted to \$1,471,733. Assigned fund equity in the School Lunch Fund amounted to \$123,387, in the Special Aid Fund amounted to \$54 and in the Capital Projects Fund amounted to \$739,904.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances

General Fund	
General Support	\$ 148,725
Instruction	146,868
Pupil Transportation	<u>17,141</u>
	<u>\$ 312,734</u>

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. At June 30, 2019 the District's unassigned fund equity exceeded the 4% limitation by \$748,356.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Net Position/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.

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total 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 equity, restricted fund equity (to the extent appropriated), 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 then assigned. The remaining amounts are reported as unassigned.

N. Postemployment Benefits

In addition to providing the retirement benefits described in Note 2.B.I., the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups. Substantially all of these 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 postemployment 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. See Note 4.

O. Due to/from Other Funds

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund equity at year-end is provided subsequently in these notes.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life in Years</u>
Buildings	\$ 1,000	SL	40
Building improvements	1,000	SL	40
Site improvements	1,000	SL	20
Furniture and equipment and vehicles	1,000	SL	5-20

Q. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to the OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Deferred Outflows and Inflows of Resources

District-wide Statement of Net Position. This represents the effect of the net change in the District's proportionate share of the collective net pension liability (TRS and ERS System) 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 the OPEB report in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

R. Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs 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 BANs 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 in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

S. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, pensions, 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.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Accrued Liabilities and Long-Term Obligations

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

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

- a. Total fund equity of governmental fund vs. net position of governmental activities:

Total fund equity of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund equity and the statement of activities fall into one of five broad categories. The differences represent:

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Long-Term Debt Transaction Differences

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

Pension Differences

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

OPEB Differences

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

U. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other postemployment benefits, potential contingent liabilities, the lives of long-term assets, net pension asset and liability, and deferred inflows/outflows.

V. Vested Employee Benefits

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

V. Vested Employee Benefits

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

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

W. Implementation of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following new standards issued by GASB. There was no impact of implementing these new standards:

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

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

X. Future Changes in Accounting Standards

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

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

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

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

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

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

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

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

- Interest bearing and non-interest bearing demand accounts
- Time deposit accounts and Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State

Custodial Credit Risk

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Custodial Credit Risk

The District restricts the securities to the following eligible items:

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

Restricted Cash and Investments

General Fund

Restricted cash and investments of \$4,727,948 at June 30, 2019 consist of \$1,160,000 restricted for Employee Benefit Accrued Liability Reserve, \$545,672 restricted for Retirement Contributions Reserve, \$2,989,344 restricted for Tax Certiorari, and \$32,932 restricted for Capital Reserve in the General Fund.

Debt Service Fund

Restricted cash and investments of \$554,615 at June 30, 2019 are restricted for debt service.

Capital Projects Fund

Restricted cash of \$868,669 at June 30, 2019 is restricted for specific capital projects.

Fiduciary Funds

Restricted cash of \$260,674 at June 30, 2019 consist of \$48,354 restricted for Extraclassroom Activity Funds, \$172,282 restricted for Escrow Tax, and \$40,038 restricted for Scholarships.

Investments

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

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

Level 2: Inputs to the valuation methodology include:

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

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

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

All of the District's investments are valued based on Level 2 of the hierarchy. The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2019, the District held \$5,549,101 in investments consisting of various investments in securities issued by the United States and its agencies.

Total investments of the cooperative as of year-end are \$2,492,546,027, which consisted of \$350,918,796 in repurchase agreements, \$235,026,621 in collateralized bank deposits and \$1,905,651,848 in U.S. Government Treasury Securities.

The following valuation inputs are included as investments:

		<u>Valuation Inputs</u>			
<u>Investments in</u>					
<u>Securities at Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
General Fund	\$ -	\$ 5,045,461	\$ -	\$ 5,045,461	
Debt Service Fund	-	503,640	-	503,640	
Total	<u>\$ -</u>	<u>\$ 5,549,101</u>	<u>\$ -</u>	<u>\$ 5,549,101</u>	

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

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

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

Risks and Uncertainties with Investments

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

II. Interfund Balances and Activities

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

Interfund balances and activities at June 30, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,226,262	\$ 243,424	\$ 37,000	\$ 149,881
Special Aid Fund	108,424	916,470	49,881	-
School Lunch	-	46,963	-	-
Debt Service Fund	113	-	-	37,000
Capital Projects Funds	<u>135,000</u>	<u>263,127</u>	<u>100,000</u>	<u>-</u>
Total Government Activities	1,469,799	1,469,984	186,881	186,881
Fiduciary Fund	<u>185</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,469,984</u>	<u>\$ 1,469,984</u>	<u>\$ 186,881</u>	<u>\$ 186,881</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

	Restated Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Construction in Progress	7,030,425	2,646,225	-	9,676,650
Depreciation Assets				
Buildings and Improvements	26,147,157	-	-	26,147,157
Furniture and Equipment and vehicles	<u>1,444,311</u>	<u>85,477</u>	<u>-</u>	<u>1,529,788</u>
Total	<u>34,741,893</u>	<u>2,731,702</u>	<u>-</u>	<u>37,473,595</u>
Accumulated Depreciation				
Buildings and Improvements	10,163,323	616,176	-	10,779,499
Furniture and Equipment and vehicles	<u>1,150,251</u>	<u>43,554</u>	<u>-</u>	<u>1,193,805</u>
Total	<u>11,313,574</u>	<u>659,730</u>	<u>-</u>	<u>11,973,304</u>
Total Capital Assets, Net	<u>\$ 23,428,319</u>	<u>\$2,071,972</u>	<u>\$ -</u>	<u>\$ 25,500,291</u>

B. Liabilities

I. Pension Plans

General Information

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

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The system is governed by a 10 member Board of Trustees. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Teachers' Retirement System

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

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined after January 1, 2010 who generally contribute 3% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

	<u>ERS</u>	<u>TRS</u>
2018-19	\$ 198,004	\$ 711,073
2017-18	183,534	630,036
2016-17	212,261	753,384

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

Pension Liabilities

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2018	June 30, 2017
Net pension asset/(liability)	\$(332,740)	\$712,271
District's portion of the Plan's total net pension asset/(liability)	.0046962%	.039390%

Pension Expense (Credit)

For the year ended June 30, 2019, the District recognized its proportionate share of pension expense of \$217,933 for ERS and \$552,092 for TRS.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 65,524	\$ 532,274	\$ 22,336	\$ 96,416
Changes of assumptions	83,637	2,489,852	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	85,400	790,675
Changes in proportion and differences between contributions and proportionate share of contributions	65,655	115,766	25,835	24,392
Contributions subsequent to the measurement date	<u>54,219</u>	<u>711,073</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 269,035</u>	<u>\$ 3,848,965</u>	<u>\$ 133,571</u>	<u>\$ 911,482</u>

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

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2019	\$ -	\$ 728,369
2020	85,433	499,155
2021	(53,344)	65,555
2022	1,529	497,477
2023	47,627	343,473
Thereafter	-	92,381

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

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

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

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on MP-2014.

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

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

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

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

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

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

* Real rates of return are net of the long-term inflation assumption of 2.3% for 2018.

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2019 calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6% for ERS and 6.25% for TRS) or one percentage point higher (8% for ERS and 8.25% for TRS) than the current rate:

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset/(liability)	\$ (1,454,793)	\$ (332,740)	\$ 609,864
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset/(liability)	\$ (4,893,415)	\$ 712,271	\$ 5,408,277

Changes in assumptions

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

Collective Pension Expense

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows or resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2019 is \$237,948 for ERS and \$567,227 for TRS.

Payables to the pension plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$54,219.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Payables to the pension plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as Reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$732,107.

Other Benefits

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

II. Indebtedness

Short-Term Debt

During the 2018/2019 year, a BAN in the amount of \$4,379,902 with an interest rate of 2.75% was converted into a bond. Interest paid on the BAN during the year totaled \$120,447. Accrued interest at June 30, 2019 and 2018 was \$-0- and \$669, respectively.

Long-Term Debt

Serial Bonds

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

Interest on long-term debt was comprised of:

Interest paid	\$ 270,513
Less interest accrued in the prior year	(11,272)
Plus interest accrued in the current year	<u>13,278</u>
Total Expense	<u>\$ 272,519</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Long-term obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

Changes in Long-Term Debt

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

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30</u>
Serial Bonds	\$ 10,830,000	\$ 4,379,902	\$ 1,610,000	\$ 13,599,902
Compensated absences	112,794	607,478	-	720,272
Other postemployment benefits (See Note 4)	<u>20,343,985</u>	<u>2,030,186</u>	<u>653,572</u>	<u>21,720,599</u>
Total	<u>\$ 31,286,779</u>	<u>\$ 7,017,566</u>	<u>\$ 2,263,572</u>	<u>\$ 36,040,773</u>

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

The above liabilities are liquidated by the General Fund.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
<u>Serial Bonds</u>				
Advanced Refunding	2004	2034	2.0-3.75%	\$ 3,355,000
Alterations	2010	2024	1.75-4.0%	1,960,000
Alterations	2015	2031	2.0-2.25%	3,905,000
Alterations	2019	2034	2.0-2.5%	<u>4,379,902</u>
Total Serial Bonds				<u>\$ 13,599,902</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,914,902	\$ 326,663	\$ 2,241,565
2021	1,985,000	285,419	2,270,419
2022	1,645,000	238,893	1,883,893
2023	1,040,000	196,206	1,236,206
2024	1,010,000	166,313	1,176,313
2025-2029	3,470,000	543,798	4,013,798
2030-2034	<u>2,535,000</u>	<u>171,588</u>	<u>2,706,588</u>
Total	<u>\$ 13,599,902</u>	<u>\$ 1,928,880</u>	<u>\$ 15,528,782</u>

Operating Leases

The District has entered into various non-cancellable operating leases for office equipment and buses. Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019, for each of the next five years, if applicable and in the aggregate thereafter are:

For the year ending June 30, 2020	\$ 68,646
2021	76,731
2022	8,688

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

III. Constitutional Debt Limit

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

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

General Information

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

Consortium of Self Insured Plans

The District participates in the Southern Adirondack Public Schools Workers' Compensation plan administered by the Board of Director which is composed of the chief executive office or other designated officer of the districts participating in Washington-Saratoga-Warren-Hamilton-Essex BOCES. Participant of the plan are required to make their current year contributions on July 15 and October 15 of each plan year. The plan year is July 1 through June 30. The Board may retain surplus to establish and maintain a claim contingency fund. If sufficient funds are not available the Board will determine the amount to be assessed to the participants. For the year ended June 30, 2019, \$59,415 was paid to the plan for workers' compensation premiums.

B. Other Items

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

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

Plan Description

The District administers a defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit plan (the Plan). The Plan provides Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District's Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in trust that meet the criteria in paragraph 4 of Statement No. 75.

Funding Policy

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 5 years of service requirement for tiers 2, 3 and 4 to qualify for other postemployment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis.

Benefits Provided

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the retired employee. The specifics of each contract are on file at the District offices and are available upon request.

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

Inactive plan members or beneficiaries currently receiving benefit payments	112
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>113</u>
Total plan members	<u>225</u>

Net OPEB Liability

The District's total OPEB liability of \$21,720,599 was measured as of July 1, 2018; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

Actuarial Assumptions and Other Inputs

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

Actuarial Assumptions and Other Inputs

Discount rate	3.87% (Bond Buyer GO-20 Municipal Bond Index)
Healthcare cost trend rates	8.0% for 2019 decreasing 0.5% per year to an ultimate rate of 5.0% by 2025.

Mortality rates were based on RP-2017 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

Retirement participation rate assumed that 100% of future retirees eligible for coverage will elect the benefit. Marriage assumption, it was assumed that active employees will maintain their current marital status. Each eligible employee will retire with the maximum number of sick days allowed and use them as contributions to their retiree premium. For current retirees, actual census information was used. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

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

Changes in the Net OPEB Liability

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

	Total OPEB Liability [a]	Plan Fiduciary Net Position [b]	Net OPEB Liability [a] - [b]
Balances at June 30, 2018	\$ 20,343,985	\$ -	\$ 20,343,985
Changes for the year:			
Service cost	834,160	-	834,160
Interest	735,634	-	735,634
Changes in benefit terms	(131,158)	-	(131,158)
Difference between expected and actual experience	974,437	-	974,437
Contributions - employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	(382,887)	-	(382,887)
Benefit payments	(653,572)	-	(653,572)
Administrative expense	-	-	-
Net changes	<u>1,376,614</u>	<u>-</u>	<u>1,376,614</u>
Balances, June 30, 2019	<u>\$ 21,720,599</u>	<u>\$ -</u>	<u>\$ 21,720,599</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

Changes in the Net OPEB Liability

Changes of benefit terms reflect changes in assumptions and other inputs including a change in the discount rate from 3.6% in 2018 to 3.87% in 2019.

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

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

	1% Decrease (<u>2.87%</u>)	Discount Rate (<u>3.87%</u>)	1% Increase (<u>4.87%</u>)
Total OPEB Liability	\$ 24,246,223	\$ 21,720,599	\$ 19,217,539

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50% decrease to 4.0%) or 1 percentage point higher (8.50% decreasing to 6.00%) than the current healthcare cost trend rate:

	1% Decrease (<u>7.00%</u> Decreasing to <u>4.00%</u>)	Healthcare Cost Trend Rate (<u>8.00%</u> Decreasing to <u>5.00%</u>)	1% Increase (<u>9.00%</u> Decreasing to <u>6.00%</u>)
Total OPEB Liability	\$ 19,232,136	\$ 21,720,599	\$ 24,189,073

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$878,467. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 835,232	\$ -
Changes of assumptions	-	2,262,215
Changes in benefit terms	-	-
Contributions subsequent to the measurement period	<u>673,179</u>	<u>-</u>
	<u>\$ 1,508,411</u>	<u>\$ 2,262,215</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

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

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

Year Ending June 30,	
2020	\$ (560,169)
2021	(560,169)
2022	(560,169)
2023	84,507
2024	84,507
Thereafter	84,510

5. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2019, the District noted there was no receivable set up for Smart Schools Bond Act (SSBA) funds awarded and earned in prior years, as well as incorrect accounting for the borrowing of funds between the general and capital projects funds. As a result, a prior period adjustment was recorded in the general fund of \$200,000 increasing beginning of year fund equity. In the capital projects fund a prior adjustment was recorded of \$200,000 decreasing beginning year fund equity and \$117,094 to record the receivable from the SSBA funds. The District also identified that various state aid revenues were recorded incorrectly in the prior year. As a result, a prior period adjustment was recorded in the general fund of \$202,999, increasing beginning year fund equity. The District also identified various receivables that needed to be written off in the special aid fund, resulting in a decrease of beginning year fund equity in the general fund of \$29,007. The District also identified errors in the June 30, 2018 District-wide financial statements, in addition to the items noted above which also impacted the District-wide net position. Deferred inflows related to amortization of postemployment benefits obligations were overstated by \$644,676, deferred outflows related to contributions subsequent to the measurement date were understated by \$683,035, capital assets were understated by \$32,542, accumulated depreciation was understated by \$7,655, and due from state and federal was overstated by \$332,168. These adjustments resulted in a prior period adjustment in the District-wide statements of \$1,311,516 increasing beginning of year net-position.

General Fund	
Due to other funds recorded as interfund transfer	\$ 200,000
Due from state and federal	12,088
Due from other governments	190,911
Due to other funds uncollectable receivables	<u>(29,007)</u>
Total Prior Period Adjustment	<u>\$ 373,992</u>
Capital Projects Fund	
Due from state/federal receivable	\$ 117,094
Due from other funds recorded as interfund transfer	<u>(200,000)</u>
Total Prior Period Adjustment	<u>\$ (82,906)</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

5. PRIOR PERIOD ADJUSTMENTS

District-Wide	
Capital assets, net	\$ 24,887
Due from state and federal	(332,168)
Deferred inflows of resources	644,676
Deferred outflows of resources	683,035
Cumulative effect of funds PPA above	<u>291,086</u>
Total District-Wide	<u>\$ 1,311,516</u>

6. TAX ABATEMENT

The Town enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. No tax abatements were entered into during the year ended June 30, 2019. The District did receive PILOT payments in the amount of \$30,148 for the year ended June 30, 2019.

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 22, 2019, which is the date these financial statements were issued. All subsequent events requiring recording or disclosure as of June 30, 2019, have been incorporated into these financial statements herein.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance With Actual</u>
Revenues				
Local Sources				
Real property taxes	\$ 11,431,012	\$ 11,431,012	\$ 11,068,776	\$ (362,236)
Charges for services	85,000	85,000	105,836	20,836
Use of money and property	12,500	12,500	65,626	53,126
Sale of property and compensation for loss	5,000	5,000	2,513	(2,487)
Miscellaneous	<u>168,684</u>	<u>181,240</u>	<u>428,582</u>	<u>247,342</u>
Total Local Sources	11,702,196	11,714,752	11,671,333	(43,419)
State sources	7,618,560	7,649,560	7,811,334	161,774
Federal sources	30,000	30,000	141,689	111,689
Other Sources				
Transfers from other funds	<u>40,000</u>	<u>50,950</u>	<u>37,000</u>	<u>(13,950)</u>
Total Revenue and Other Sources	19,390,756	19,445,262	\$ <u><u>19,661,356</u></u>	\$ <u><u>216,094</u></u>
Other Sources				
Prior year encumbrances	275,465	275,465		
Appropriated fund equity	<u>1,504,710</u>	<u>1,504,710</u>		
Total Revenues and Other Sources	\$ <u><u>21,170,931</u></u>	\$ <u><u>21,225,437</u></u>		

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Actual and Encumbrances</u>
Expenditures					
General Support					
Board of education	\$ 45,875	\$ 58,409	\$ 56,929	\$ 237	\$ 1,243
Central administration	228,338	230,944	227,849	-	3,095
Finance	267,675	269,560	240,426	10,038	19,096
Staff	168,005	168,005	90,745	54,363	22,897
Central services	1,373,286	1,364,457	1,028,647	83,337	252,473
Special items	210,520	209,220	196,766	750	11,704
Total General Support	<u>2,293,699</u>	<u>2,300,595</u>	<u>1,841,362</u>	<u>148,725</u>	<u>310,508</u>
Instruction					
Instruction, administration and improvement	581,099	597,702	534,909	1,430	61,363
Teaching - regular school	5,267,049	5,325,192	4,680,935	113,043	531,214
Programs for children with handicapping conditions	3,135,029	3,061,942	2,732,126	12,590	317,226
Occupational education	486,250	486,050	412,972	811	72,267
Teaching - special school	15,000	15,000	-	-	15,000
Instructional media	534,243	569,416	518,204	15,582	35,630
Pupil services	899,337	894,564	785,799	3,412	105,353
Total Instruction	<u>10,918,007</u>	<u>10,949,866</u>	<u>9,664,945</u>	<u>146,868</u>	<u>1,138,053</u>
Other					
Pupil transportation	1,421,951	1,426,752	1,358,445	17,141	51,166
Community services	-	-	-	-	-
Employee benefits	4,517,263	4,517,263	4,167,354	-	349,909
Debt Service - Principal	1,610,000	1,610,000	1,610,000	-	-
Debt Service - Interest	380,011	390,961	390,960	-	1
Total Other	<u>7,929,225</u>	<u>7,944,976</u>	<u>7,526,759</u>	<u>17,141</u>	<u>401,076</u>
Total Expenditures	<u>21,140,931</u>	<u>21,195,437</u>	<u>19,033,066</u>	<u>312,734</u>	<u>1,849,637</u>
Other Uses					
Transfers to other funds	<u>30,000</u>	<u>30,000</u>	<u>149,881</u>	<u>-</u>	<u>(119,881)</u>
Total Expenditures and Other Uses	<u>\$ 21,170,931</u>	<u>\$ 21,225,437</u>	<u>\$ 19,182,947</u>	<u>\$ 312,734</u>	<u>\$ 1,729,756</u>
Net Change in Fund Equity			\$ 478,409		
Fund Equity-Beginning, As Restated			7,630,222		
Fund Equity-Ending			<u>\$ 8,108,631</u>		

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

	Fiscal Year Ending *	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Measurement date	7/1/2018	7/1/2017
Service cost at end of year	\$ 834,160	\$ 834,160
Interest	735,634	665,330
Changes in benefit terms	(131,158)	-
Difference between expected and actual experience in the measurement of the total OPEB liability	974,437	-
Changes in assumptions and other inputs	(382,887)	(3,223,378)
Benefit payments	<u>(653,572)</u>	<u>(573,308)</u>
Net Change in Total OPEB Liability	1,376,614	(2,297,196)
Total OPEB Liability - beginning	<u>\$ 20,343,985</u>	<u>\$ 22,641,181</u>
Total OPEB Liability - ending	<u><u>\$ 21,720,599</u></u>	<u><u>\$ 20,343,985</u></u>
Covered-employee payroll	\$ 8,182,584	\$ 7,973,610
Total OPEB Liability as a percentage of covered-employee payroll	265.45%	255.14%

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

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

	ERS Pension Plan Last 10 Fiscal Years			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	0.00470%	0.0050%	0.0052%	0.0055%
Proportionate share of the net pension liability (asset)	\$ 332,740	\$ 162,807	\$ 490,017	\$ 886,458
Covered-employee payroll	\$ 1,505,908	\$ 1,552,881	\$ 1,552,801	\$ 1,537,273
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	22.10%	10.48%	31.56%	57.66%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.7%	90.70%
	TRS Pension Plan Last 10 Fiscal Years			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	0.0393900%	0.0408900%	0.0413830%	0.0413600%
Proportionate share of the net pension liability (asset)	\$ (712,271)	\$ (310,881)	\$ 443,228	\$ (4,295,951)
Covered-employee payroll	\$ 6,676,676	\$ 6,420,729	\$ 6,444,891	\$ 6,315,993
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-10.67%	-4.84%	6.88%	-68.02%
Plan fiduciary net position as a percentage of the total pension asset	101.53%	100.66%	99.01%	110.46%

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

**WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 216,843	\$ 233,133	\$ 260,647	\$ 278,678
Contributions in relation to the contractually required contribution	<u>(216,843)</u>	<u>(233,133)</u>	<u>(260,647)</u>	<u>(278,678)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,505,908	\$ 1,552,881	\$ 1,552,801	\$ 1,537,273
Contributions as a percentage of covered-employee payroll	14.40%	15.01%	16.79%	18.13%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 628,783	\$ 759,438	\$ 846,757	\$ 1,089,101
Contributions in relation to the contractually required contribution	<u>(628,783)</u>	<u>(759,438)</u>	<u>(846,757)</u>	<u>(1,089,101)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,676,676	\$ 6,420,729	\$ 6,444,891	\$ 6,315,993
Contributions as a percentage of covered-employee payroll	9.42%	11.83%	13.14%	17.24%

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

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 20,895,466
Add: Prior year's encumbrances	<u>275,465</u>
Original Budget	21,170,931
Additions:	
Budget Amendments	<u>54,506</u>
Final Budget	\$ <u><u>21,225,437</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 [subsequent year's] voter-approved expenditure budget	\$ 21,196,493
Maximum allowed (4% of 2019-20 [subsequent year's] budget)	847,860

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

Unrestricted Fund Equity:	
Committed Fund Equity	\$ -
Assigned Fund Equity	1,784,467
Unassigned Fund Equity	<u>1,596,216</u>
Total Unrestricted Fund Equity	<u>3,380,683</u>

Less:	
Appropriated Fund Equity	1,471,733
Encumbrances included in Committed and Assigned Fund Equity	<u>312,734</u>
Total Adjustments	<u>1,784,467</u>

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$ <u><u>1,596,216</u></u>
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Actual percentage	7.53%
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- * Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund equity subject to Section 1318 of the Real Property Tax law is: unrestricted fund equity (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund equity, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund equity.

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

PROJECT TITLE	SED Project Number	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Transfers to Debt Service	Fund Equity (Deficiency) June 30, 2019
				Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total		
Front Entrance of Elementary Wing	0004-22; 0004-23	\$ 9,679,902	\$ 9,679,902	\$ 6,555,010	\$ 2,647,162	\$ 9,202,172	\$ 477,730	\$ 9,679,902	\$ -	\$ 101,324	\$ 9,781,226	\$ -	\$ 579,054
Emergency Lighting Project	0004-24	500,000	500,000	258,335	-	258,335	241,665	-	-	500,000	500,000	-	241,665
Smart Schools Bond Act	N/A	200,000	200,000	117,094	50,879	167,973	32,027	-	167,973		167,973	-	-
Totals		<u>\$ 10,379,902</u>	<u>\$ 10,379,902</u>	<u>\$ 6,930,439</u>	<u>\$ 2,698,041</u>	<u>\$ 9,628,480</u>	<u>\$ 751,422</u>	<u>\$ 9,679,902</u>	<u>\$ 167,973</u>	<u>\$ 601,324</u>	<u>\$ 10,449,199</u>	<u>\$ -</u>	<u>\$ 820,719</u>

WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019

Capital Assets, Net		\$	25,500,291
Add:			
Cash on hand	\$	-	-
Deduct:			
Bond anticipation note		-	-
Short-term portion of bonds payable		1,914,902	
Long-term portion of bonds payable		<u>11,685,000</u>	
			<u>(13,599,902)</u>
Net Investment in Capital Assets		\$	<u><u>11,900,389</u></u>

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

To the President and Members of the Board of Education of the
Waterford-Halfmoon Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Waterford-Halfmoon Union Free School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies to be material weaknesses:

2019-001 Year-end Accounting

Criteria: To accurately present the financial position of the District, general ledger accounts should be reconciled and monitored throughout the year by management. The accuracy of financial data is crucial to the budget process.

Condition: Adjusting journal entries were proposed as part of the audit process to reflect actual year end balances of revenue, assets, reserves, expenditures and liabilities.

Cause: Transactions were inaccurately recorded during the current year, prior year and between funds.

Effect: The revenue, receivables, and interfund activities would have been understated in the general fund. The interfund activities, revenues and receivables would have been overstated in the capital projects fund. The interfund activities and receivables were overstated in the special aid fund. Lastly, entity-wide beginning of year fund balance was understated by \$1,311,516.

Recommendation: Management should monitor and review account balances more closely at year end and review and implement a formal closing process for end of year reconciliations and cut-off.

Views of responsible officials and planned corrective actions: The District will implement a process whereby the Business Manager will perform a thorough year-end review and reconciliation of accounts.

2019-002 Segregation of Duties

Criteria: The District should strive to have adequate segregation of the authorization, safekeeping and record keeping responsibilities. If adequate segregation is not possible, there should be compensating controls in place.

Condition: nVision permissions and other various controls were reviewed and determined to be inadequate. It was noted that the Financial Support Specialist has significant access in nVision including creating and editing employees, creating journal entries, processing payroll and creating and printing checks. Further, it was noted that there are limited compensating controls to address the access to the accounting software. There is a journal entry review process that does address this concern, however it is not formalized, documented or consistently followed.

Cause: The business office has limited employees and compensating controls were not properly put into place or evidence of those controls were lacking.

Effect: Unauthorized or unsupported payroll transactions or journal entries could be processed without the proper review and approval.

Recommendation: While we understand that complete segregation of duties is not always feasible in governments of similar size to the District, there are compensating controls that can be implemented to help reduce the risk of material misstatement of the financial statements due to clerical errors or misappropriation of assets. The District should review all access to nVision and any other software used to ensure access is properly restricted. If access cannot be restricted, the District should implement compensating controls. For example, management could implement a formalized journal entry review process that is documented and followed for all entries posted and ensures the completeness of the reviewed journal entries. Additionally, a payroll change report could be reviewed periodically to ensure any changes made to payroll are reviewed, authorized, and supported. As an alternative your Claims Auditor could review your payroll and agree to supporting documentation.

Views of responsible officials and planned corrective actions: In future, the Business Manager will periodically request and review user permission reports to ensure that users are only granted the access right necessary to perform their job duties. The Business Manager will also review and approve journal entries and document this approval by signing the journal entries.

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. We consider the following deficiencies to be significant deficiencies:

2019-003 Timesheet Review

Criteria: All manual or electronic timesheets should to be reviewed for accuracy and approved by an appropriate individual that is not part of the payroll process.

Condition: There are three distinct types of employees that could have manual timesheets: custodial, bus drivers and teacher aides. The custodial timesheets are being reviewed by the Director of Facilities and Operations, however, he does not document his review on said timesheets. The bus driver timesheets are being reviewed by the Business Manager, however she also does not document her review. Lastly, regarding the teacher aide timesheets communication was unclear whether any review was taking place, however no review was documented.

Cause: The business office has limited employees and the review of timesheets was not enforced or documented properly.

Effect: Unauthorized, improper or incorrect payroll transactions could be processed without the proper review.

Recommendation: We recommend that the supervisory individual of each department review their department's timesheets to ensure accuracy and completeness and document their approval of time worked. It is also our understanding that there are electronic time clocks being used, however they are not consistently being reconciled to the manual time sheets and the electronic function to import the time into nVision to process the payroll is not currently being utilized.

Views of responsible officials and planned corrective actions: The District will implement a timesheet review process which requires all timesheets to be reviewed and approved by each employee's supervisor. Additionally, supervisors will be required to document their review and approval of timesheets by signing the timesheets.

Compliance and Other Matters

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

2019-004 Compliance with New York State Real Property Tax Law.

Statement of Condition: The unassigned fund balance of the general fund exceeded 4% of the 19/20 general fund budget by \$748,356.

Criteria: NYS Real Property Tax Law 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year.

Cause: The cumulative effect of expenditures being significantly under budget and excess fund balance.

Effect of Condition: The District was not in compliance with Real Property Tax Law.

Context: As part of audit procedures compliance with the NYS Real Property Tax Law 1318 limits is reviewed.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of responsible officials and planned corrective actions: The District will develop a long-term financial plan which will provide for the reduction of fund balance to a level that complies with the statutory 4% limit but does so in a manner that will preserve the fiscal sustainability of the District.

2019-005 Compliance with General Municipal Law

Statement of Condition: The reserve for employee benefit accrued liability exceeds the compensated absences balance at June 30, 2019 by \$439,728.

Criteria: General Municipal Law 6p limits the amount included in the reserve for employee benefit accrued liability to no more than the amount accrued in the compensated absences long-term liability account.

Cause: The District has historically had excess amounts in their reserve.

Effect of Condition: The District was not in compliance with General Municipal Law.

Context: As part of audit procedures compliance with the General Municipal Law 6p limits is reviewed.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of responsible officials and planned corrective actions: The District will use Employee Benefit Accrued Liability reserve funds to pay for costs associated with sick leave buyouts in the current and future years, thereby reducing the balance to a level that does not exceed the compensated absence balance. The District will also perform monitoring of this reserve to ensure it does not exceed the compensated absence balance in future years.

District's Response to Findings

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

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY

November 22, 2019