

**WATERFORD – HALFMOON UNION FREE  
SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Education  
Waterford-Halfmoon Union Free School District  
Middletown Road  
Waterford, NY 12188

Dear Board Member:

We have audited the accompanying financial statements of the governmental activities of Waterford-Halfmoon Union Free School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express 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 of Waterford-Halfmoon Union Free School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 3 to the financial statements, in the fiscal year ended June 30, 2018, the District adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary schedule information on pages 3-12 and 21-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterford-Halfmoon Union Free School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018 on our consideration of Waterford-Halfmoon Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford-Halfmoon Union Free School District's internal control over financial reporting and compliance.

Very truly yours,  
STARK & BASILA  
Certified Public Accountants, PC

*B.T. Basila*

BRYAN T. BASILA, CPA

Dated: September 27, 2018

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The following is a discussion and analysis of Waterford – Halfmoon Union Free School District's financial performance for the fiscal year ended June 30, 2018. The 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, 2018 are as follows:

- In total, net position increased \$2,170,576. Net position of governmental activities, other than school lunch, increased by \$2,188,731, which represents a 91.8% increase in total net position of governmental activities, other than school lunch. Net position of school lunch decreased \$18,155 or 9.6% of total net position of school lunch activities.
- General revenues accounted for \$19,367,415 in revenue or 95.3% of all revenues. Program specific revenues, in the form of charges for services, sales, grants, and contributions, accounted for \$951,522 or 4.7% of total revenues of \$20,318,937.
- The District had \$18,148,361 in expenses related to governmental activities; only \$951,522 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes, state aid) \$19,367,415 were adequate to provide for these programs during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are district-wide (government-wide) financial statements – the Statement of Net Position and the Statement of Activities and Changes in Net Position. These provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

Figure A-1 summarizes the major features of the district's financial statements, including the portion 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.

**Figure A-1: Major Features of the District-Wide and Fund Financial Statements**

		Fund Financial Statements	
	District-wide 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 district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> <li>Statement of net position</li> <li>Statement of activities and changes in net position</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net position</li> <li>Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Deferred outflows of resources/ Liability/Deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/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 Statements**

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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, grantors, 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.

**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 manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The District has two kinds of funds:

Governmental funds – Most of the District's activities are included in governmental funds, which generally focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities and Changes in Net Position) and governmental funds is reconciled in the financial statements.

Fiduciary funds – the District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and 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 operations. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post employment healthcare plans.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was \$(399,907) at June 30, 2018.

**Table A-3  
Condensed Statement of Net Position – Governmental Activities**

	<b>Fiscal Year 2018</b>	<b>Restated Fiscal Year 2017</b>	<b>Percent Change</b>
Current and other assets	\$12,554,537	\$8,403,571	49.4
Noncurrent Assets	23,714,243	22,861,833	3.7
<b>Total Assets</b>	<b>36,268,780</b>	<b>31,265,404</b>	<b>16.0</b>
Deferred Outflows of Resources	4,564,017	3,846,265	18.7
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 40,832,797</b>	<b>\$35,111,669</b>	<b>16.3</b>
Current and other liabilities	\$6,757,702	\$2,908,993	132.3
Long-Term Liabilities	29,839,586	34,511,047	(13.5)
<b>Total Liabilities</b>	<b>36,597,288</b>	<b>37,420,040</b>	<b>(2.2)</b>
Deferred inflows of resources	4,635,416	262,112	(1668.5)
<b>Total Liabilities and Deferred inflows of resources</b>	<b>\$41,232,704</b>	<b>\$37,682,152</b>	<b>9.4</b>
Net Position			
Invested in capital assets, net of related debt	\$8,193,530	\$10,141,833	(19.2)
Restricted	5,370,387	3,616,626	48.5
Unrestricted	(13,963,824)	(16,328,942)	14.5
<b>Total Net Position</b>	<b>\$(399,907)</b>	<b>\$(2,570,483)</b>	<b>84.4</b>
Total Liabilities, Deferred inflows of resources and Net Position	<b>\$40,832,797</b>	<b>\$35,111,669</b>	<b>16.3</b>

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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 the district.

**Table A-4  
Changes in Net Position – Governmental Activities**

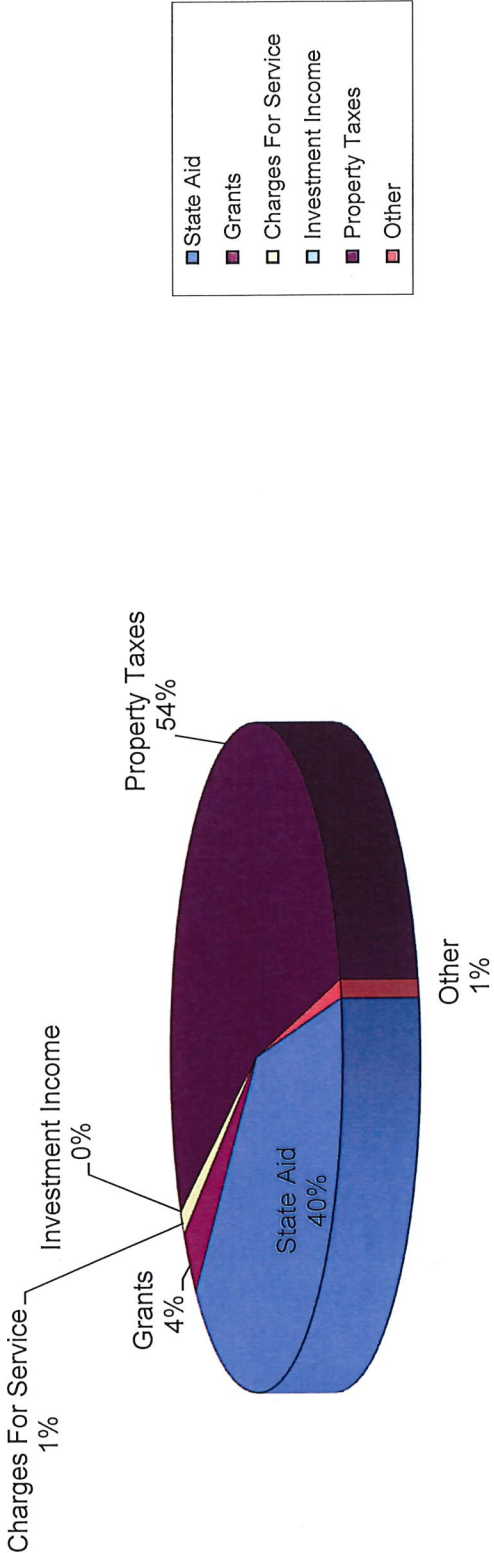
	Fiscal Year 2018	Fiscal Year 2017	Percent Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 245,704	\$ 207,969	18.1
Operating Grants	\$ 705,818	\$ 665,024	6.1
Capital Grants	\$ -0-	\$ -0-	0.0
General Revenues			
Property Taxes	\$10,956,102	\$10,737,313	2.0
State Aid	\$ 8,221,112	\$ 7,782,092	5.6
Investment Earnings	\$ 6,282	\$ 7,589	(17.2)
Other	\$ 183,919	\$ 261,758	(29.7)
<b>Total Revenues</b>	<u>\$20,318,937</u>	<u>\$19,661,745</u>	<u>3.3</u>
<b>Expenses</b>			
Instruction	\$ 9,625,714	\$ 9,976,166	(3.5)
Administrative & Business	\$ 704,351	\$ 762,778	(7.7)
Operation & Maintenance	\$ 885,249	\$ 949,180	(6.7)
Pupil Transportation	\$ 1,296,222	\$ 1,288,018	0.6
Employee Benefits	\$ 4,332,846	\$ 4,649,939	(7.0)
Depreciation expense	\$ 681,228	\$ 668,558	1.9
Food Services	\$ 311,570	\$ 280,168	11.2
Debt Service Expense	\$ 311,181	\$ 355,829	(12.6)
<b>Total Expenses</b>	<u>\$18,148,361</u>	<u>\$18,930,636</u>	<u>(4.1)</u>
<b>Increase (decrease) in net position</b>	<u>\$ 2,170,576</u>	<u>\$ 731,109</u>	<u>196.9</u>

**Governmental Activities**

Revenues for the District's governmental activities totaled \$20,318,937 while total expenses equaled \$18,148,361. Therefore, the increase in net position for governmental activities was \$2,170,576 in the fiscal year 2017 – 2018.

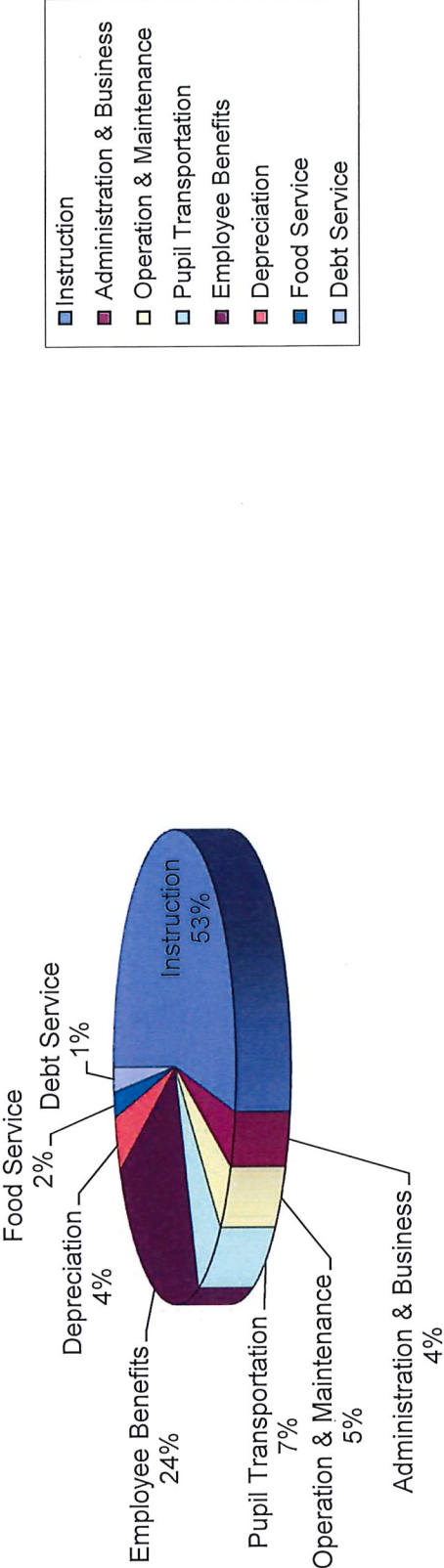
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Sources of Revenues



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Expenses for Fiscal Year



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**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Table A-5**

**Fiscal Year Ended June 30, 2018  
Net Cost of Governmental Activities**

<b><u>Category</u></b>	<b><u>Total Cost</u></b>	<b><u>Net Cost</u></b>
Instruction	\$ 9,625,714	\$ 9,003,455
Administration & Business	\$ 704,351	\$ 704,351
Operation & Maintenance	\$ 885,249	\$ 885,249
Pupil Transportation	\$ 1,296,222	\$ 1,259,972
Employee Benefits	\$ 4,332,846	\$ 4,332,846
Depreciation	\$ 681,228	\$ 681,228
Food Service	\$ 311,570	\$ 18,557
Debt Service	\$ 311,181	\$ 311,181
<b>Total</b>	<b><u>\$ 18,148,361</u></b>	<b><u>\$ 17,196,839</u></b>

- The cost of all governmental activities this year was \$18,148,361.
- The users of the District's programs (\$245,704) financed some of the cost.
- The federal and state governments subsidized certain programs with grants (\$705,818).
- Most of the District's net costs \$17,196,839 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 2017 – 2018. They are as follows:

- In the fiscal year 2017 – 2018, the District's cash increased \$4,050,200 due to the short term borrowings to finance the capital project which were not spent for capital outlay expenditures as of June 30, 2018.
- In the fiscal year 2017 – 2018, the District's liabilities increased \$4,697,325 mostly due to the short term borrowings to finance the capital project.

At June 30, 2018, the District governmental funds reported a combined fund balance of \$7,086,608, which is an increase of \$32,495.

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At June 30, 2018, the District had \$23,403,432 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$541,599 or 2.4% from last year.

**Table A-6  
Capital assets – net of depreciation**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 120,000	\$ 120,000
Construction-In-Progress	\$ 7,030,425	\$ 5,939,546
Buildings	\$ 15,983,834	\$ 16,619,263
Furniture & Equipment	\$ 269,173	\$ 183,024
Total	<u>\$ 23,403,432</u>	<u>\$ 22,861,833</u>

See Notes in the financial statement for changes.

**DEBT ADMINISTRATION**

At year end, the District had \$10,830,000 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, 2018</u>	<u>June 30, 2017</u>
General Obligation Bonds	\$ 10,830,000	\$ 12,720,000
Other General Obligation Debt	\$ -0-	\$ -0-
Total	<u>\$ 10,830,000</u>	<u>\$ 12,720,000</u>

During the year, the District paid \$1,890,000 towards its long-term debt obligations.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Waterford-Halfmoon School District 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. The voters approved a new construction project in the amount of \$9,679,902 in December 2012. The project was 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. Phase 1A was the redesign of the main entry way. Phase 1B was the start of reconstruction of the Elementary wing and Phase 1C is continued reconstruction of the elementary wing and the music wing. Construction started on Phase 1A and 1B in the early spring of 2015. That construction was completed in the fall of 2015. The construction on Phase 1C began in the spring of 2018 with completion in the fall of 2018. Within the budget for 2018-2019 school year is funding for a small capital project for the replacement of interior doors and safety measures for exterior doors. This project will start in mid-winter and completed in the spring of 2019.

The District is facing the same economic factors as most New York State schools. The tax cap and state aid continues to be a major concern. Our district, as other districts, are dealing with the increase in health insurance, from both, increase in premium and costs associated with the increase of retirees covered by the district. The District's continued conservative approach has again has allowed us to make major investments in staff development,

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
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student achievement, program enhancements and technology upgrades. The district began its 1 to 1 Chromebook initiative in 2016. Grades 4 & 8 were given Chromebooks midway thru the 2016 school year. During the 2017-2018 school year we continued the 1 to 1 initiative giving Chromebooks to all but 2 grades in 4-12. The start of 2018 all students in grades 4-12 now have Chromebooks. Again this school year there is an increase in the participation of students with the VOTEC programs and early college studies. STEM initiatives were started in the 2018 school year. A Cisco program was added in the high school and the elementary is developing a STEM program.

The District's tax levy for this year will be below the 2% levy limit amount.

We have approximately 415 students in the K-6 and 340 students in the 7-12. The enrollment had 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: Carol Lyon, Business Manager  
Middletown Road  
Waterford, New York 12188  
(518) 237 - 0800

Waterford-Halfmoon Union Free School District  
Statement of Net Position  
June 30, 2018

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	
Unrestricted	\$ 11,158,534
Restricted	585,518
Investments	
Unrestricted	
Restricted	
Receivables	
Taxes	
Due from fiduciary funds	
State and Federal Aid	763,577
Due from other governments	
Other	29,485
Inventories	17,423
Total Current Assets	<u>12,554,537</u>
<b>Noncurrent Assets</b>	
Capital Assets	34,709,351
Less: Accumulated Depreciation	<u>(11,305,919)</u>
Capital Assets, net	23,403,432
Net Pension Asset - Proportionate Share	310,811
Total Noncurrent Assets	<u>23,714,243</u>
<b>TOTAL ASSETS</b>	<u><b>36,268,780</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Postemployment benefits	653,572
Pensions	<u>3,910,445</u>
Total Deferred outflows of resources	<u>4,564,017</u>
<b>TOTAL ASSETS, DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 40,832,797</b></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 14,435
Accrued Liabilities	14,637
Due to fiduciary funds	
Due to other governments	15,145
Bond interest and matured bonds	11,941
Notes Payable	
Tax anticipation	
Revenue anticipation	
Bond anticipation	4,379,902
Unearned credits	
Overpayments and collections in advance	
Planned balance	
Unearned revenues	3,440
Due and payable within one year	
Bonds payable	1,610,000
Installment purchase debt payable	
Due to teachers' retirement system	655,202
Due to employees' retirement system	53,000
Compensated absences payable	
Other postemployment benefits payable	
Judgment and claims payable	
Total Current Liabilities	<u>6,757,702</u>
<b>Noncurrent Liabilities</b>	
Due and payable after one year	
Bonds payable	9,220,000
Installment purchase debt payable	
Due to teachers' retirement system	
Due to employees' retirement system	
Compensated absences payable	112,794
Other postemployment benefits payable	20,343,985
Net pension liability - proportionate share	162,807
Judgment and claims payable	
Total Noncurrent Liabilities	<u>29,839,586</u>
Total Liabilities	<u><b>36,597,288</b></u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	1,412,038
Postemployment benefits	3,223,378
Deferred revenues	
Total deferred inflows of resources	<u>4,635,416</u>
<b>NET POSITION</b>	
Net Investment in capital assets	8,193,530
Restricted	5,370,387
Unrestricted (deficit)	<u>(13,963,824)</u>
Total Net Position	<u><b>(399,907)</b></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><b>\$ 40,832,797</b></u>

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
Statement of Activities and Changes in Net Position  
For the Year Ended June 30, 2018

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General Support	\$ 1,589,600	\$ -	\$ -	\$ -	\$ (1,589,600)
Instruction	9,625,714		127,807	494,452	(9,003,455)
Pupil Transportation	1,296,222			36,250	(1,259,972)
Community Service	-				-
Employee Benefits	4,332,846			-	(4,332,846)
Debt Service	311,181				(311,181)
Other expenses	-				-
Depreciation - unallocated	681,228				(681,228)
School Lunch Program	311,570		117,897	175,116	(18,557)
Total Functions and Programs	<u>\$ 18,148,361</u>	<u>\$ -</u>	<u>\$ 245,704</u>	<u>\$ 705,818</u>	<u>(17,196,839)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					9,443,319
Other tax items					1,512,783
Nonproperty taxes					-
Use of money and property					6,282
Sale of property and compensation for loss					3,394
Miscellaneous					115,772
Interfund revenue					-
State sources					8,221,112
Federal sources					64,753
Total General Revenues					<u>19,367,415</u>
Change in Net Position					2,170,576
Total Net Position - Beginning of year					<u>(2,570,483)</u>
Total Net Position - End of year					<u>\$ (399,907)</u>

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
Balance Sheet - Governmental Funds  
June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 6,884,977	\$ 94,543	\$ 150,194	\$ -	\$ 4,028,820	\$ 11,158,534
Restricted				585,518		585,518
Investments						-
Unrestricted						-
Restricted						-
Receivables						-
Taxes						-
Due from other funds	1,114,863	29,536	10,802	19		1,155,220
State and Federal Aid		431,409				431,409
Due from other governments						-
Other	29,485					29,485
Inventories			17,423			17,423
Deferred expenditures						-
Capital Assets, net						-
Total Assets	<u>\$ 8,029,325</u>	<u>\$ 555,488</u>	<u>\$ 178,419</u>	<u>\$ 585,537</u>	<u>\$ 4,028,820</u>	<u>\$ 13,377,589</u>
<b>LIABILITIES</b>						
Payables						
Accounts Payable	\$ 14,435	\$ -	\$ -	\$ -	\$ -	\$ 14,435
Accrued Liabilities	10,120	-	4,517			14,637
Due to other funds	40,338	536,849	-	-	578,033	1,155,220
Due to other governments		15,145				15,145
Retainage Payable						-
Due to teachers' retirement system	655,202					655,202
Due to employees' retirement system	53,000					53,000
Compensated absences payable						-
Other postemployment benefits payable						-
Judgment and claims payable						-
Bond interest and matured bonds						-
Notes Payable						-
Tax anticipation						-
Revenue anticipation						-
Bond anticipation					4,379,902	4,379,902
Budget Note						-
Deficiency Note						-
Unearned credits						-
Overpayments and collections in advance						-
Unearned revenues		3,440				3,440
Planned balance						-
Total Liabilities	<u>773,095</u>	<u>555,434</u>	<u>4,517</u>	<u>-</u>	<u>4,957,935</u>	<u>6,290,981</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenues	-	-	-	-	-	-
Sale of future revenue	-	-	-	-	-	-
Total Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>						
Nonspendable			17,423			17,423
Restricted	4,610,948			585,537		5,196,485
Committed	-					-
Assigned	1,801,323	-	156,479		(929,115)	1,028,687
Unassigned	843,959	54		-	-	844,013
Total Fund Balance	<u>7,256,230</u>	<u>54</u>	<u>173,902</u>	<u>585,537</u>	<u>(929,115)</u>	<u>7,086,608</u>
Total Liabilities and Fund Balances	<u>\$ 8,029,325</u>	<u>\$ 555,488</u>	<u>\$ 178,419</u>	<u>\$ 585,537</u>	<u>\$ 4,028,820</u>	<u>\$ 13,377,589</u>

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>						
Real property taxes	\$ 9,443,319	\$ -	\$ -	\$ -	\$ -	\$ 9,443,319
Other tax items	1,512,783					1,512,783
Charges for services	127,807					127,807
Use of money and property	4,988		37	1,257		6,282
Sale of Property and Compensation for Loss	3,394					3,394
Miscellaneous	82,781		96	32,895		115,772
Interfund revenue	-					-
State Sources	8,232,419	112,634	5,376			8,350,429
Medicaid Reimbursement	-					-
Federal sources	64,753	418,068	151,319			634,140
Surplus food			18,421			18,421
Sales - school lunch			117,897			117,897
<b>Total Revenues</b>	<b>19,472,244</b>	<b>530,702</b>	<b>293,146</b>	<b>34,152</b>	<b>-</b>	<b>20,330,244</b>
<b>EXPENDITURES</b>						
General Support	\$ 1,589,600	\$ -	\$ -		\$ -	1,589,600
Instruction	9,235,052	522,610				9,757,662
Pupil Transportation	1,259,972	36,250				1,296,222
Community Service	-					-
Employee benefits	4,049,566		54,224			4,103,790
Debt service						-
Principal	1,890,000					1,890,000
Interest	312,250					312,250
Cost of Sales			257,346			257,346
Other expenditures				-		-
Capital Outlay					1,090,879	1,090,879
<b>Total expenditures</b>	<b>18,336,440</b>	<b>558,860</b>	<b>311,570</b>	<b>-</b>	<b>1,090,879</b>	<b>20,297,749</b>
Excess (Deficiency) of Revenues Over Expenditures	1,135,804	(28,158)	(18,424)	34,152	(1,090,879)	32,495
<b>OTHER FINANCING SOURCES AND USES</b>						
Proceeds from debt	-	-	-	-	-	-
Operating transfers in	37,000	28,158	-		100,000	165,158
Operating transfers (out)	(128,158)	-	-	(37,000)	-	(165,158)
<b>Total Other Sources (Uses)</b>	<b>(91,158)</b>	<b>28,158</b>	<b>-</b>	<b>(37,000)</b>	<b>100,000</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	1,044,646	-	(18,424)	(2,848)	(990,879)	32,495
Fund Balances - Beginning of year	6,211,584	54	192,326	588,385	61,764	7,054,113
Fund Balances - End of year	\$ 7,256,230	\$ 54	\$ 173,902	\$ 585,537	\$ (929,115)	\$ 7,086,608

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2018

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Cash	\$ 11,744,052	\$ -	\$ -	\$ 11,744,052
Accounts Receivable	460,894	332,168		793,062
Due from other funds	1,155,220		(1,155,220)	-
Due from fiduciary funds				-
Due from other governments				-
Inventories	17,423			17,423
Deferred expenditures				-
Net pension asset - proportionate share		310,811		310,811
Land, buildings and equipment (net)		23,403,432		23,403,432
<b>Total Assets</b>	<b>13,377,589</b>	<b>24,046,411</b>	<b>(1,155,220)</b>	<b>36,268,780</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Postemployment benefits		653,572		653,572
Pension		3,910,445		3,910,445
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>4,564,017</b>	<b>-</b>	<b>4,564,017</b>
<b>Total Assets, deferred outflows of resources</b>	<b>\$ 13,377,589</b>	<b>\$ 28,610,428</b>	<b>\$ (1,155,220)</b>	<b>\$ 40,832,797</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 14,435	\$ -	\$ -	\$ 14,435
Accrued liabilities	14,637			14,637
Bonds payable		10,830,000		10,830,000
Revenue anticipation notes payable				-
Bond anticipation notes payable	4,379,902			4,379,902
Bond interest and matured bonds		11,941		11,941
Due to other funds	1,155,220		(1,155,220)	-
Due to fiduciary funds				-
Due to other governments	15,145			15,145
Due to teachers' retirement system	655,202			655,202
Due to employees' retirement system	53,000			53,000
Unearned Revenues	3,440			3,440
Compensated absences		112,794		112,794
Installment purchase debt payable				-
Postemployment benefits		20,343,985		20,343,985
Net pension liability - proportionate share		162,807		162,807
Judgement and Claims Payable				-
<b>Total Liabilities</b>	<b>6,290,981</b>	<b>31,461,527</b>	<b>(1,155,220)</b>	<b>36,597,288</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenues				-
Postemployment benefits		3,223,378		3,223,378
Pensions		1,412,038		1,412,038
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>4,635,416</b>	<b>-</b>	<b>4,635,416</b>
<b>FUND EQUITY\NET POSITION</b>				
<b>Total Fund Equity\Net Position</b>	<b>7,086,608</b>	<b>(7,486,515)</b>	<b>-</b>	<b>(399,907)</b>
<b>Total Liabilities, deferred inflows of resources, and fund balance\net position</b>	<b>\$ 13,377,589</b>	<b>\$ 28,610,428</b>	<b>\$ (1,155,220)</b>	<b>\$ 40,832,797</b>

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
Reconciliation of Governmental funds Revenues, Expenditures, and Changes in  
Fund Balances to the Statement of Activities and Changes in Net Position  
For the Year Ended June 30, 2018

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Eliminations and Reclassifications	Long-term Debt Transactions	Statement of Activities Totals
<b>REVENUES</b>						
Real property taxes	\$ 9,443,319	\$ -	\$ -	\$ -	\$ -	\$ 9,443,319
Other tax items	1,512,783					1,512,783
Charges for services	127,807					127,807
Use of money and property	6,282					6,282
Sale of property and compensation for loss	3,394					3,394
Miscellaneous	115,772					115,772
Interfund revenue	-					-
State sources	8,350,429	(11,307)				8,339,122
Medicaid reimbursement	-					-
Federal sources	634,140					634,140
Surplus food	18,421					18,421
Sales - school lunch	117,897					117,897
<b>Total Revenues</b>	<b>20,330,244</b>	<b>(11,307)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,318,937</b>
<b>EXPENDITURES\EXPENSES</b>						
General support	1,589,600					1,589,600
Instruction	9,757,662		(131,948)			9,625,714
Pupil transportation	1,296,222					1,296,222
Community service	-					-
Employee benefits	4,103,790	6,173		(54,224)	277,107	4,332,846
Debt service	2,202,250	(1,069)			(1,890,000)	311,181
Cost of sales	257,346			(257,346)		-
School Lunch Program				311,570		311,570
Other expenditures	-					-
Depreciation - unallocated			681,228			681,228
Capital outlay	1,090,879		(1,090,879)			-
<b>Total Expenditures</b>	<b>20,297,749</b>	<b>5,104</b>	<b>(541,599)</b>	<b>-</b>	<b>(1,612,893)</b>	<b>18,148,361</b>
Excess (Deficiency) of Revenues Over Expenditures	32,495	(16,411)	541,599	-	1,612,893	2,170,576
<b>OTHER SOURCES AND USES</b>						
Proceeds from debt	-				-	-
Operating transfers in	165,158			(165,158)		-
Operating transfers (out)	(165,158)			165,158		-
<b>Total Other Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change for the Year</b>	<b>\$ 32,495</b>	<b>\$ (16,411)</b>	<b>\$ 541,599</b>	<b>\$ -</b>	<b>\$ 1,612,893</b>	<b>\$ 2,170,576</b>

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

	<u>Private Purpose Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 41,638	\$ 285,003
Due from governmental funds	-	-
Due From Agency Funds	-	
Accounts receivable		
	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 41,638</u>	<u>\$ 285,003</u>
 <b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ -
Due to Private Purpose Trust		-
Extraclassroom activity balances		39,629
Other liabilities		245,374
	<u>          </u>	<u>          </u>
Total Liabilities	<u>-</u>	<u>\$ 285,003</u>
 <b>NET POSITION</b>		
Reserved for scholarships	<u>\$ 41,638</u>	

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For The Year Ended June 30, 2018

	Private Purpose Trusts
<b>ADDITIONS</b>	
Contributions	\$ -
Investment Earnings	
Interest	<u>9</u>
Total Additions	<u>9</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	2,322
Change in Net Position	(2,313)
Net Position - Beginning of year	<u>43,951</u>
Net Position - End of year	<u><u>\$ 41,638</u></u>

See independent auditor's report and notes to financial statements

Waterford-Halfmoon Union Free School District  
 Schedule of Change from Original Budget to Revised Budget  
 And the Real Property Tax Limit  
 For the Year Ended June 30, 2018

**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted Budget	\$ 20,972,306
Add: Prior Year Encumbrances	301,038
Original Budget	<u>21,273,344</u>
Budget Revisions:	<u>10,397</u>
Revised Budget	<u><u>\$ 21,283,741</u></u>
See Accompanying Notes to Financial Statements	

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

2018-19 voter approved expenditure budget	\$ 21,098,966
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance	
Committed fund balance	\$ -
Assigned fund balance	1,801,323
Unassigned fund balance	<u>843,959</u>
Total unrestricted fund balance	<u>\$ 2,645,282</u>
Less:	
Appropriated fund balance	\$ 1,525,858
Encumbrances included in committed and assigned fund balance	<u>275,465</u>
Total adjustments	<u>\$ 1,801,323</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	<u><u>\$ 843,959</u></u>
Actual percentage	<u>4.0%</u>

See Paragraph on supplementary schedules included in the Independent Auditor's Report

## Supplemental Schedule #2

Waterford-Halfmoon Union Free School District  
Schedule of Revenues Compared  
to Budget - General Fund  
For the Year Ended June 30, 2018

REVENUES	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Local Sources				
Real Property Taxes	\$ 9,443,580	\$ 9,443,580	\$ 9,443,319	\$ (261)
Other Tax Items	1,509,632	1,509,632	1,512,783	\$ 3,151
Charges for Services	88,500	88,500	127,807	39,307
Use of Money and Property	12,500	12,500	4,988	(7,512)
Sale of Property and Compensation for Loss	-	-	3,394	3,394
Miscellaneous	140,000	150,397	82,781	(67,616)
Interfund Revenues	-	-	-	-
Total Local Sources	11,194,212	11,204,609	11,175,072	(29,537)
State Sources	7,992,322	7,992,322	8,232,419	240,097
Federal Sources	40,000	40,000	64,753	24,753
Total Revenues	19,226,534	19,236,931	19,472,244	235,313
Other Sources				
Operating Transfers In	-	-	37,000	37,000
Proceeds of Long-term Debt	-	-	-	-
TOTAL REVENUES AND OTHER SOURCES	19,226,534	19,236,931	\$ 19,509,244	\$ 272,313
Designated Fund Balance and Encumbrances				
Carried Forward From Prior Year	1,745,772	2,046,810		
Appropriated Reserve Revenues	-	-		
Total Revenues, Appropriated Reserves and Designated Fund Balance	\$ 20,972,306	\$ 21,283,741		

See Paragraph on Supplementary Schedules Included in Auditor's Report

## Supplemental Schedule #3

Waterford-Halfmoon Union Free School District  
Schedule of Expenditures, Other Uses and Encumbrances  
Compared to Budget - General Fund  
For the Year Ended June 30, 2018

EXPENDITURES	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
General Support					
Board of Education	\$ 46,395	\$ 51,390	\$ 43,101	\$ 18	\$ 8,271
Central Administration	221,184	225,286	219,901	370	5,015
Finance	267,681	267,560	230,317	8,553	28,690
Staff	43,430	153,320	25,696	112,279	15,345
Central Services	1,234,189	1,179,476	885,249	98,557	195,670
Special Items	206,500	206,500	185,336	-	21,164
Total General Support	2,019,379	2,083,532	1,589,600	219,777	274,155
Instructional					
Instruction, Administration & Improvement	641,749	636,679	611,448	921	24,310
Teaching - Regular School	5,346,753	4,834,481	4,540,694	19,820	273,967
Programs for Children With Handicapping Conditions	2,929,700	2,609,615	2,523,263	3,217	83,135
Occupational Education	445,948	465,472	436,948	-	28,524
Teaching - Special Schools	15,000	5,248	-	-	5,248
Instructional Media	377,112	407,818	392,034	1,233	14,551
Pupil Services	819,838	860,249	730,665	10,183	119,401
Total Instruction	10,576,100	9,819,562	9,235,052	35,374	549,136
Pupil Transportation	1,425,565	1,414,317	1,259,972	20,314	134,031
Community Service	-	-	-	-	-
Employee Benefits	4,564,263	4,051,373	4,049,566	-	1,807
Debt Service					-
Principal	1,890,000	1,890,000	1,890,000	-	-
Interest	366,999	312,250	312,250	-	-
Total Debt Service	2,256,999	2,202,250	2,202,250	-	-
Total Expenditures	20,842,306	19,571,034	18,336,440	275,465	959,129
Other Uses					
Operating Transfers Out	130,000	1,712,707	128,158	-	1,584,549
Total Expenditures & Other Uses	\$ 20,972,306	\$ 21,283,741	\$ 18,464,598	\$ 275,465	\$ 2,543,678

See paragraph on supplementary schedules included in the independent auditor's report

Waterford-Hellmorn Union Free School District  
Schedule of Project Expenditures  
Capital Projects Fund  
For the Year Ended June 30, 2018

Supplemental Schedule #4

Project Title	Original Budget	Revised Budget	Expenditures		Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources		Total	Fund Balance June 30, 2018
			Prior Years	Current Years								
December 2012 Referendum Front Entrance of Elementary Wing SED #0004-22, 0004-23	\$ 9,679,902	\$ 9,679,902	\$ 5,558,860	\$ 996,150	\$ 6,555,010	\$ 3,124,892	\$ 5,300,000	\$ -		\$ 5,300,000	\$ (1,255,010)	
<u>Emergency Lighting Project</u> SED #0004-24	500,000	500,000	258,335	-	258,335	241,665	-	-	500,000	500,000	241,665	-
<u>Auditorium Project</u>	100,000	100,000	99,986	-	99,986	14	-	-	99,986	99,986	-	-
<u>Smart Schools</u>	200,000	200,000	22,365	94,729	117,094	82,906	-	-	200,000	200,000	82,906	-
Capital Fund Cash Balance											1,324	
Totals	\$ 10,479,902	\$ 10,479,902	\$ 5,839,546	\$ 1,090,879	\$ 7,030,425	\$ 3,449,477	\$ 5,300,000	\$ -	\$ 799,986	\$ 6,099,986	\$ (929,115)	

See Paragraph on supplementary Schedules included in Auditors' Report

Waterford-Halfmoon Union Free School District  
 Schedule of Funding Progress -  
 Other Post Employment Benefits Plan  
 For the Year Ended June 30, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$ 13,456	\$ 13,456	0.00%	\$ 7,791	172.71%
July 1, 2011	\$ -	\$ 13,735	\$ 13,735	0.00%	\$ 7,649	179.57%
July 1, 2012	\$ -	\$ 16,435	\$ 16,435	0.00%	\$ 7,436	221.02%
July 1, 2013	\$ -	\$ 16,733	\$ 16,733	0.00%	\$ 7,582	220.69%
July 1, 2014	\$ -	\$ 20,686	\$ 20,686	0.00%	\$ 7,887	262.28%
July 1, 2015	\$ -	\$ 24,052	\$ 24,052	0.00%	\$ 8,081	297.64%
July 1, 2016	\$ -	\$ 26,358	\$ 26,358	0.00%	\$ 8,102	325.33%
July 1, 2017	\$ -	\$ 20,344	\$ 20,344	0.00%	\$ 7,867	258.60%

See paragraph on supplementary schedules included in the independent auditor's report

## Supplemental Schedule #6

Waterford-Halfmoon Union Free School District  
 Schedule of Investment in Capital Assets, Net of Related Debt  
 For the Year Ended June 30, 2018

Capital assets, net	\$	23,403,432
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## Additions:

Unamortized bond issuance costs  
 Discounts on bonds payable  
 Other:

		-
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## Deductions:

Bond anticipation notes proceeds used for capital assets-	4,379,902	
Premium on bonds payable		
Short-term portion of bonds payable	1,610,000	
Long-Term portion of bonds payable	9,220,000	
Less: unspent bond proceeds		

Short-term portion of capital leases  
 Long-term portion of capital leases  
 Other short or long-term debt related to capital assets  
 Other:

		(15,209,902)
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Investment in capital assets, net of related debt	\$	8,193,530
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See paragraph on supplementary schedules included in auditor's report

Waterford-Halfmoon Union Free School District  
Schedule of District's Proportionate Share of the Net Pension Liability  
For the Year Ended June 30, 2018

	Teachers' Retirement System		
	2018	2017	2016
District's proportion of the net pension liability	4.089100%	0.041383%	0.041360%
District's proportionate share of the net pension liability	(310,811)	443,228	(4,295,951)
District's Covered Payroll	6,420,729	6,444,891	6,315,993
District's proportionate share of the net pension liability as a percentage of its covered payroll	-4.840743%	6.877199%	-68.017032%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%
	Employees' Retirement System		
	2018	2017	2016
District's proportion of the net pension liability	0.5044500%	0.0052150%	0.0055230%
District's proportionate share of the net pension liability	162,807	490,017	886,458
District's Covered Payroll	1,552,881	1,552,801	1,537,273
District's proportionate share of the net pension liability as a percentage of its covered payroll	10.484190%	31.556973%	57.664319%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%

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 District Contributions  
For the Year Ended June 30, 2018

	Teachers' Retirement System		
	2018	2017	2016
Contractually required contribution	759,438	846,757	1,089,101
Contributions in relation to the contractually required contribution	759,438	846,757	1,089,101
Contribution deficiency (excess)	-	-	-
District's covered employee payroll	6,374,640	6,420,729	6,380,620
Contributions as a percentage of covered employee payroll	11.91%	13.19%	17.07%
	Employees' Retirement System		
	2018	2017	2016
Contractually required contribution	233,133	260,647	278,678
Contributions in relation to the contractually required contribution	233,133	260,647	278,678
Contribution deficiency (excess)	-	-	-
District's covered employee payroll	1,483,979	1,552,881	1,534,711
Contributions as a percentage of covered employee payroll	15.71%	16.78%	18.16%

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  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Note 1 – Summary of Certain Significant Accounting Policies:**

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

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

**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. 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 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 statement to be misleading or incomplete.

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

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Audited financial statements (cash basis) of the Extraclassroom Activity Funds are included in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

**B) Joint Venture:**

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provision of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(4)(b)(7) of the New York State General Municipal Law.

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

During the year, the District was billed \$2,118,216 for BOCES administrative and Program costs.

Participating District's issue debt on behalf of BOCES. During the year, the District issued \$-0- of serial bonds on behalf of BOCES. As of year-end, the District had outstanding BOCES debt of \$-0-.

The District's share of BOCES aid amounted to \$678,119.

General purpose financial statements for the BOCES are available from the BOCES administrative office.

**C) Basis of Presentation:**

i) District-Wide Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income 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.

**D) Measurement Focus and Basis of Accounting:**

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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 fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is 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 if they are collected within 60 days after the end of the fiscal year.

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

**E) Cash and Investments:**

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

Investments are stated at fair value.

**F) Property Taxes:**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 17, 2017. Taxes are collected during the period September 1 to October 31, 2017.

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

**G) Accounts Receivable:**

Accounts receivable are shown net of an allowance for uncollectible accounts, when applicable. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**H) Inventories and Prepaid Items:**

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

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

**I) Interfund Transactions:**

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

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

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

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

**J) Capital Assets:**

Capital assets are reported at actual cost for acquisitions in which the cost could be determined. For assets in which the actual cost could not be determined, estimated historical costs based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	Straight-Line	40 yrs
Building Improvements	1,000	Straight-Line	40 yrs
Site improvements	1,000	Straight-Line	20 yrs
Furniture and equipment	1,000	Straight-Line	5-20 yrs

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**K) Vested Employee Benefits:**

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

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

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the 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.

**L) Other Benefits:**

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

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

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

**M) Unearned Revenue:**

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**N) Deferred Outflows and Inflows of Resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to 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 or balance sheet 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportionate share of the collective net pension liability (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 third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**O) 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.

**P) Short-Term Debt:**

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

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

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

**Q) Accrued Liabilities and Long-Term Obligations:**

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

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

**R) Equity Classifications:**

District-wide statements:

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

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

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

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

Funds statements:

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

**Non-spendable** fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$17,423.

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**Restricted** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Capital

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

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement.

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.

Insurance

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

Liability Claims and Property Loss

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Repairs

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

Retirement Contributions

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

Tax Certiorari

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

Unemployment Insurance

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

Worker's Compensation

According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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Encumbrances

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

Restricted fund balance includes the following:

General Fund:	
Capital	\$ 32,932
Debt Service	-0-
Employee Benefit Accrued Liability	1,160,000
Insurance	-0-
Liability Claims and Property Loss	-0-
Repairs	-0-
Retirement Contributions	428,672
Tax Certiorari	2,989,344
Unemployment Insurance	-0-
Workers' Compensation	-0-
Capital Fund	-0-
Debt Service Fund	585,537
Special Aid Fund	-0-
School Lunch Fund	-0-
	<hr/>
Total Restricted Funds	<u>\$ 5,196,485</u>

**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has not committed fund balances as of June 30, 2018.

**Assigned** – includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an appropriation to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the year. Encumbrances and appropriated fund balance reported in the General Fund amounted to \$1,801,323.

Reserve for Insurance Recoveries

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

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**Unassigned** – includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

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

**Order of Use of Fund Balance:**

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

**S) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**T) New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standards issued by GASB:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

GASB Statement No. 81, Split Interest Agreements

GASB No. 85, Omnibus

GASB No. 86, Certain Debt Extinguishment

**Note 2 – Explanation of certain differences between governmental fund statements and District-wide statements:**

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

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**A) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:**

Total fund balances of 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 Balance vs. Statement of Activities:**

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities and Changes in Net Position fall into one of four broad categories.

i) Long-term Revenue Differences:

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

ii) Capital Related Differences:

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

iii) Long-term Debt Transaction Differences:

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

iv) Pension differences:

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

v) OPEB differences:

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

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
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**Note 3 – Changes in Accounting principles**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of the statement requires Districts to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB.

**RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 75 resulted in adjusting the June 30, 2017 OPEB liability. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 8,578,034
GASB Statement No. 75 Implementation	
Beginning OPEB liability adjustments	<u>(11,148,517)</u>
Net position beginning of year, as restated	<u>\$ ( 2,570,483)</u>

**Note 4 – Stewardship, Compliance and Accountability:**

**Budgets:**

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

General Fund

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) 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. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Donations	\$ 3,929
Special Aid Grant	<u>6,468</u>
Total	<u>\$ 10,397</u>

There were not any supplemental appropriations occurred during the year:

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.

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

**Encumbrances:**

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

The Capital Project Fund had a deficit fund balance of \$929,115. This will be funded when the District obtains permanent financing for its current construction project.

**Note 5 – Custodial credit, cash:**

**Cash:**

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

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

Uncollateralized	\$ -0-
Collateralized with securities held by the pledging financial institutions, or its trust department or agent, but not in the District's name	\$ 12,663,004

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$5,196,485 within the governmental funds and \$214,596 in the fiduciary funds.

**Note 6 – Investments:**

The District had no security Investments during the year.

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**Note 7 – Capital Assets:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclass</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets that are not depreciated:				
Land	\$ 120,000	\$ -0-	\$ -0-	\$ 120,000
Construction in progress	5,939,546	1,090,879	-0-	7,030,425
Total nondepreciable historical cost	<u>6,059,546</u>	<u>1,090,879</u>	<u>-0-</u>	<u>7,150,425</u>
Capital Assets that are depreciated:				
Buildings	26,147,157	-0-	-0-	26,147,157
Furniture and Equipment	1,345,383	131,948	( 65,562)	1,411,769
Total depreciable historical cost	<u>27,492,540</u>	<u>131,948</u>	<u>( 65,562)</u>	<u>27,558,926</u>
Less accumulated depreciation				
Buildings	9,527,894	635,429	-0-	10,163,323
Furniture and Equipment	1,162,359	45,799	( 65,562)	1,142,596
Total Accumulated depreciation	<u>10,690,253</u>	<u>681,228</u>	<u>( 65,562)</u>	<u>11,305,919</u>
Total depreciable historical Cost, net	<u>\$22,861,833</u>	<u>\$ 541,599</u>	<u>\$ -0-</u>	<u>\$23,403,432</u>

Depreciation expense was not charged to a specific governmental function.

**Note 8 – Short-Term Debt:**

Transactions in short-term debt for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN maturing 6/19 at 2.75%	\$ -0-	\$ 4,379,902	\$ -0-	\$ 4,379,902
Total	<u>\$ -0-</u>	<u>\$ 4,379,802</u>	<u>\$ -0-</u>	<u>\$ 4,379,902</u>

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

Interest paid	\$ -0-
Less interest accrued in the prior year	-0-
Plus interest accrued in the current year	669
Total expense	<u>\$ 669</u>

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**Note 9 – Long-term Debt:**

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Advanced Refunding	\$ 5,515,000	\$ -0-	\$ 1,205,000	\$ 4,310,000	955,000
Serial Bonds – Alterations	2,670,000	-0-	350,000	2,320,000	360,000
Serial Bonds - Alterations	4,535,000	-0-	335,000	4,200,000	295,000
Total bonds & notes payable	<u>\$12,720,000</u>	<u>\$ -0-</u>	<u>\$ 1,890,000</u>	<u>\$10,830,000</u>	<u>\$ 1,610,000</u>
Other Liabilities:					
Postemployment Benefits	\$22,641,181	\$ -0-	\$ 2,297,196	\$20,343,985	-
Pension Liability					
Proportionate Share	933,245	-0-	770,438	162,807	-0-
Compensated absences	106,621	6,173	-0-	112,794	-0-
Long term liabilities	<u>\$36,401,047</u>	<u>\$ 6,173</u>	<u>\$ 4,957,634</u>	<u>\$31,449,586</u>	<u>\$1,610,000</u>

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 the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

Other liabilities are disclosed as net activities in the schedule above.

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

Description of Issue	Issue Date	Final Maturity	Interest Rate
Serial Bonds			
Advanced Refunding	2004	2034	2.37%
Alterations	2006	2034	4.26%
Alterations	2010	2024	3.43%
Alternations	2015	2031	2.00%

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2019	1,610,000	270,512	1,880,512
2020	1,645,000	232,913	1,877,913
2021	1,695,000	194,388	1,889,388
2022	1,390,000	153,663	1,543,663
2023	785,000	116,075	901,075
2024 & thereafter	<u>3,705,000</u>	<u>405,499</u>	<u>4,110,499</u>
Totals	<u>\$10,830,000</u>	<u>\$ 1,373,050</u>	<u>\$12,203,050</u>

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

Interest paid	\$ 312,250
Less interest accrued in the prior year	13,010
Plus interest accrued in the current year	<u>11,272</u>
Total Expense	<u>\$ 310,512</u>

**Note 10 – Interfund Transactions – Governmental Funds:**

Interfund balances at June 30, 2018, are as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,114,863	\$ 40,338	\$ 37,000	\$ 128,158
Special Aid Funds	29,536	536,849	28,158	-0-
School Lunch Fund	10,802	-0-	-0-	-0-
Debt Service Fund	19	-0-	-0-	37,000
Capital Funds	-0-	578,033	100,000	-0-
Total Government Funds	<u>\$ 1,155,220</u>	<u>\$ 1,155,220</u>	<u>\$ 165,158</u>	<u>\$ 165,158</u>
Fiduciary Agency Fund	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Totals	<u>\$ 1,155,220</u>	<u>\$ 1,155,220</u>	<u>\$ 165,158</u>	<u>\$ 165,158</u>

**Note 11 – Pension Plans:**

General information:

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

Provisions and administration:

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

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

Funding policies:

The Systems are noncontributory for the employee, except for those 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 contribute 3% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under Tier VI vary based on a sliding salary scale. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the Employers' contributions for the NYSERS fiscal year ended March 31. For NYSTRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2017 – 2018	\$ 630,036	\$ 183,534
2016 – 2017	\$ 753,384	\$ 212,261
2015 – 2016	\$ 864,168	\$ 239,329

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

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation required participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.5% interest factor added. Local governments were given the option to prepay this liability. The total unpaid liability at the end of the year was \$-0-.

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	04/01/17	06/30/17
Net pension asset/(liability)	\$( 162,807)	\$ 310,811
District's portion of Plan's total net pension asset/(liability)	0.0050445%	0.040891%

For the year ended June 30, 2018, the District recognized pension expense (credit) of \$164,211 for ERS and \$653,856 for TRS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected And actual experience	\$ 58,068	\$ 255,721	\$ 47,985	\$ 121,182
Changes of assumptions	\$ 107,955	\$3,162,560	\$ -0-	\$ -0-
Net differences between projected and actual earnings on pension plan investments	\$ 236,464	\$ 29,979	\$ 466,757	\$ 732,049
Changes in proportion and differences between the District's and proportionate share of contributions	\$ 59,699	\$ -0-	\$ 15,026	\$ 29,040
District's contributions subsequent To the measurement date	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total	<u>\$ 462,186</u>	<u>\$3,448,259</u>	<u>\$ 529,768</u>	<u>\$ 882,270</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ 51,839	\$ 73,819
2020	39,607	838,610
2021	(109,148)	600,661
2022	( 49,881)	150,538
2023	-0-	598,919
Thereafter	-0-	303,441

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ACTUARIAL ASSUMPTIONS

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest Rate	7.0%	7.25%
Salary Scale	3.8%	1.90% - 4.72%
Decrement tables	4/1/10 -03/31/15	07/01/09-06/30/14
	System Experience	System Experience
Inflation Rate	2.5%	2.5%

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

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Asset Type		
Domestic Equity	36%	35%
International Equity	14%	18%
Real Estate	10%	11%
Domestic Fixed Income Securities		16%
Global Fixed Income Securities		2%
High Yield Income Securities		1%
Short-Term		1%
Mortgages		8%
Private Equity	10%	8%
Absolute Return Strategies	2%	
Opportunistic Portfolio	3%	
Real Assets	3%	
Bonds and Mortgages	17%	
Cash	1%	
Inflation Indexed Bonds	4%	

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DISCOUNT RATE

The discount rate used to calculate the total pension 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. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE PROPORTIONATE SHARE FOR THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	\$( 1,231,843)	\$( 162,807)	\$ 741,554
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	\$( 5,354,348)	\$ 310,811	\$ 5,055,100

PENSION PLAN FIDUCIARY NET POSITION

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

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

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FOR THE YEAR ENDED JUNE 30, 2018**

**PAYABLES TO THE PENSION PLAN**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$53,000. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS 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, 2018 amounted to \$655,202.

**Note 12 – Post-Employment Benefits:**

**General Information about the OPEB Plan**

The District implemented GASB Statement #75, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2018.

**Plan Description** - The District provides medical and dental benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a regional health insurance consortium. The plan is a single-employer defined benefit OPEB plan administered by the District. The District does not have legal authority to fund the future OPEB liability.

**Benefits Provided** - The District provides medical and Medicare Part B benefits to retired employees and their eligible employees. The benefits provided to employees upon retirement are based on provisions in various contracts that the District has in place with different classifications of employees. 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, 2018, the following employees were covered by the benefit terms:

Active	180
Retired	<u>115</u>
Total	<u>295</u>

**Total OPEB Liability**

The District's total OPEB liability of \$20,343,985 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Discount Rate	3.6%
Healthcare Cost Trend Rate	8% for year 1 and decreasing 0.5 each year for 7 years and then remaining constant
Participation Rate	100% of eligible retirees expected to participate.

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The discount rate was based on Bond Buyer GO-20 Municipal Bond 20 Index.

Mortality rates were based on the RP-2014 mortality table with MP-2014 projection.

Changes in the Total OPEB Liability

Balance at June 30, 2017	\$22,641,181
Changes for The Year	
Service Costs	834,160
Interest Cost	665,330
Changes of benefit terms	-0-
Differences between expected and Actual experience	-0-
Changes in assumptions or other inputs	(3,223,378)
Benefit Payments	( 573,308)
Net Changes	(2,297,196)
Balance at June 30, 2018	<u>\$20,343,985</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.6%) or 1 percentage point higher (4.6%) than the current discount rate:

Sensitivity – Discount Rate	Decrease (2.6%)	Assumption (3.6%)	Increase (4.6%)
Total OPEB Liability	\$ 25,640,310	\$ 20,343,985	\$ 16,482,210

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0% decreasing to 4%) or 1 percentage point higher (9.0% decreasing to 6%) than the current healthcare cost trend rate:

Sensitivity – Health Care Trend Rate	Decrease 7% to 4%	Assumption 8% to 5%	Increase 9% to 6%
Total OPEB Liability	\$ 25,433,605	\$ 20,343,985	\$ 15,780,382

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB.

At June 30, 2018, 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	\$ -0-	\$ -0-
Changes of assumptions or other inputs	-0-	3,223,378
Contributions subsequent to the measurement period	653,572	-0-
Total	<u>\$ 653,572</u>	<u>\$ 3,223,378</u>

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Year Ended:	
2019	\$ (644,676)
2020	(644,676)
2021	(644,676)
2022	(644,676)
2023	(644,676)
Thereafter	-0-

**Note 13 – Risk management:**

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

**Note 13 – Contingent liabilities:**

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.

**Note 14 – Subsequent Events**

The District has evaluated subsequent events through September 27, 2018, which is the date these financial statements were available to be issued.

**WATERFORD – HALFMOON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT LETTER**  
**JUNE 30, 2018**

Our examination of your financial statements is designed to express an opinion as to the fairness of presentation of those statements. During the course of our examination, certain practices or procedures came to our attention which require comment.

**Internal Control System**

The system of control currently in use is generally adequate.

**Improvements recommended last year (June 30, 2017)**

ST-3 Annual Financial Report

The ST-3 was not filed with the State of New York by its due date of September 1.

**Current Findings (June 30, 2018)**

All Funds

Our test disclosed a few instances in which a payment was made without the authorization and instances in which invoices were not properly cancelled. Invoices should have the necessary paper work filed with them and be on an approved warrant before they are paid. Invoices should have the remittance voucher attached, be signed received and be authorized. The invoice should be marked paid in order to avoid duplicate payments.

Extra Classroom

Currently the Class of 2017 club has a cash balances at year end. Class clubs should be encouraged to expend or transfer their cash balances to another club, prior to the end of their commencement year. We suggest that these balances be transferred to the Student Council account.

Dated: September 27, 2018

Marie E. Stark, C.P.A.  
mstark@wsbcpas.net

Bryan T. Basila, C.P.A.  
basila@wsbcpas.net



**STARK & BASILA**  
Certified Public Accountants, P.C.

132 Mohawk Street  
PO Box 260  
Cohoes, New York  
12047

**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**

The Board of Education  
Waterford-Halfmoon Union Free School District  
125 Middletown Road  
Waterford, NY 12188

Dear Board Member:

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 of Waterford-Halfmoon Union Free School District for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Waterford-Halfmoon Union Free School District's basic financial statements, and have issued our report thereon dated September 27, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

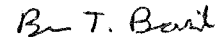
As part of obtaining reasonable assurance about whether Waterford-Halfmoon Union Free School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

We noted certain matters we have reported to management of Waterford-Halfmoon Union Free School District in a separate letter dated September 27, 2018.

## **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.

Very truly yours,  
STARK & BASILA  
Certified Public Accountants, PC



BRYAN T. BASILA, CPA

Dated: September 27, 2018

Marie E. Stark, C.P.A.  
mstark@wsbcpas.net

Bryan T. Basila, C.P.A.  
basila@wsbcpas.net



**STARK & BASILA**  
Certified Public Accountants, P.C.

132 Mohawk Street  
PO Box 260  
Cohoes, New York  
12047

The Board of Education  
Waterford-Halfmoon Union Free School District  
125 Middletown Road  
Waterford, NY 12188

Dear Board of Member:

The School District is exempt from the Single Audit Act for the 2017-2018 school year as per Title 2 U.S. Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). This exemption is because total of Federal Awards was less than \$750,000 as shown in the Supplemental Schedule of Federal Financial Assistance for the year ended June 30, 2018 on page 58.

The School District is still subject to the requirements imposed by Government Auditing Standards or "Yellow Book" audits. The School District must also maintain its records for possible review or audit, and must comply with all other laws, regulations, and the provisions of contracts and grant agreements. The Supplemental Schedule of Federal Financial Assistance for the year ended June 30, 2018 is included in the Independent Auditor's Opinion on Basic Financial Statements on page 1 and 2, and the Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting on page 55 and 56 of this document.

The Supplemental Schedule of Federal Financial Assistance is presented for additional analysis only.

Very truly yours  
STARK & BASILA  
Certified Public Accountants, PC

A handwritten signature in black ink that reads "B. T. Basila". The signature is written in a cursive, flowing style.

BRYAN T. BASILA

Dated: September 27, 2018

**WATERFORD - HALFMOON UNION FREE SCHOOL DISTRICT  
SUPPLEMENTAL SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass Through

Grantor/ Program Title US Dept of  
Education Pass-Through NYS Dept  
of Education

Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
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Special Education Cluster:

IDEA - Section 611	84.027	032-18-0824	208,503
IDEA - Section 611	84.027	032-17-0824	13,631
IDEA - Section 619	84.173	033-18-0824	7,310
Total Special Education Cluster			229,444

ESEA - Title I	84.010	021-18-2725	158,061
ESEA - Title I	84.010	021-17-2725	8,496
ESEA - Title IIA	84.367	147-17-2725	13,343
ESEA - Title IIA	84.367	147-18-2725	8,724
Total			188,624

Total US Department of Education		418,068
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US Dept of Agriculture Pass-Through  
from New York State Education Department  
Child Nutrition Cluster:

School Breakfast Program	10.553	27,533
National School Lunch Program	10.555	138,981
School Milk Program	10.555	3,226

Total US Department of Agriculture		169,740
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Total Federal Assistance Programs		587,808
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Marie E. Stark, C.P.A.  
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Bryan T. Basila, C.P.A.  
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132 Mohawk Street  
PO Box 260  
Cohoes, New York  
12047

### **Independent Auditor's Opinion of Extraclassroom Activity Fund**

The Board of Education  
Waterford-Halfmoon Union Free School District  
125 Middletown Road  
Waterford, NY 12188

Dear Board Member:

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity of the Waterford-Halfmoon Union Free School District for the year ended June 30, 2018.

#### **Management's Responsibility for the Financial Statement**

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

#### **Auditor's Responsibility**

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

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

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

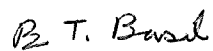
#### **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and fund balances of the Extraclassroom Activity Fund, of the Waterford-Halfmoon Union Free School District as of June 30, 2018 arising from the cash transactions, cash collected and disbursements made and changes in fund balance during the year then ended, on a basis consistent with that of the preceding year.

**Basis of Accounting**

The financial statement is prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Very truly yours,  
STARK & BASILA  
Certified Public Accountants, PC

A handwritten signature in black ink, appearing to read "B. T. Basila".

BRYAN T. BASILA, CPA

Dated: September 27, 2018

Waterford-Halfmoon Union Free School District  
 Extraclassroom Activity Analysis  
 Statement of Cash Receipts and Disbursements  
 For The Year Ended June 30, 2018

<u>Account Name</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
6th Grade Club	\$ -	\$ 5,674	\$ 5,024	650
Class of 2017	245	-	-	245
Class of 2018	2,164	3,200	5,364	-
Class of 2019	359	10,133	10,233	259
Class of 2020	106	795	417	484
Class of 2021	-	3,737	1,694	2,043
Art Club	276	-	-	276
Band Booster	8,998	48,704	52,522	5,180
Sidekicks	59	-	44	15
HS Drama Club	7,284	772	175	7,881
HS Chorus-Glee Club	885	145	-	1,030
Elementary Student Council	121	10,160	10,163	118
Elementary Yearbook Club	34	-	-	34
T.R.E.E.S.	6	-	-	6
Global Travel Club	39	-	-	39
HS Honor Society	196	843	759	280
Junior Achievement	491	-	-	491
Jr. High Student Government	1,928	5,033	3,883	3,078
Jr. High Honor Society	1,737	3,764	3,710	1,791
Newsroom	-	100	100	-
Outdoor Adventure Club	-	4,383	4,208	175
HS Student Government Association	15,165	2,835	6,686	11,314
Spanish Club	1,140	200	-	1,340
Fordian	280	10,219	7,599	2,900
Totals	\$ 41,513	\$ 110,697	\$ 112,581	\$ 39,629

See independent auditor's opinion on extraclassroom activity fund.