

HIGHLAND FALLS-FORT MONTGOMERY  
CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED  
JUNE 30, 2020  
INCLUDING REPORTS ON FEDERAL AWARDS  
AND EXTRACLASSROOM ACTIVITY FUNDS

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
JUNE 30, 2020  
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## INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the Board of Education of  
Highland Falls-Fort Montgomery Central School District  
Highland Falls, New York 10928

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Highland Falls-Fort Montgomery Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the Highland Falls-Fort Montgomery Central School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 14 and 63 through 67 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 Highland Falls-Fort Montgomery Central School District's basic financial statements. The supplemental schedules on pages 68 through 70 are required by the New York State Education Department and are presented for purposes of additional analysis and are not a required part of the 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 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 supplemental schedules on pages 68 through 70 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 68 through 70 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of the Highland Falls-Fort Montgomery Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Highland Falls-Fort Montgomery Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Highland Falls-Fort Montgomery Central School District's internal control over financial reporting and compliance.

*Mugent + Hausler, P.C.*

Montgomery, New York  
September 28, 2020

# HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

## **Management Discussion and Analysis**

### **Introductory Section**

The following is a discussion and analysis of Highland Falls-Fort Montgomery Central School District's financial performance for the fiscal year ended June 30, 2020. This section is a summary of the Highland Falls-Fort Montgomery Central School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2020 are as follows:

- The District received additional State Aid through the Bullet Aid program from the New York State Senate and Assembly in the amount of \$40,000.
- District tax levy increase was 2.47% which was at the computed property tax cap limit for 2019-2020 school taxes.
- West Point tuition revenue was approximately \$6,277,505 which exceeded the budgetary amount by \$245,985.
- Tuition Revenue from Garrison Union Free School District was \$752,758, which exceeded revenue projections by \$20,960.

### **Overview of the Financial Statements**

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

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**Overview of the Financial Statements (Continued)**

The following table 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 MD&A highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements			
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the 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</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 during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-Wide Financial 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 and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Management Discussion and Analysis  
(Continued)**

**District-Wide Financial Statements (Continued)**

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 and liabilities, is one way to measure the District's financial health or position.

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

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.

**Fund Financial Statements**

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

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

The District has two kinds of funds:

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



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**Financial Analysis of the District as a Whole**

The District's net position at June 30, 2020 is \$(15,923,888). This is a \$1,236,031 decrease from last year's net position of \$(14,687,857). The following table provides a summary of the District's net position:

Summary of Net Position

	School District Activities			
	June 30, 2020	June 30, 2019	\$ Change	% Change
Current Assets	\$ 25,046,120	\$ 27,153,179	\$ (2,107,059)	-7.76%
Non-Current Assets	28,875,521	16,267,115	12,608,406	77.51%
Total Assets	53,921,641	43,420,294	10,501,347	24.19%
Deferred Outflows of Resources	9,735,200	7,137,272	2,597,928	36.40%
Current Liabilities	21,174,257	12,910,985	8,263,272	64.00%
Non-Current Liabilities	50,321,680	43,753,073	6,568,607	15.01%
Total Liabilities	71,495,937	56,664,058	14,831,879	26.18%
Deferred Inflows of Resources	8,084,792	8,581,365	(496,573)	-5.79%
Net Position:				
Net Investment in Capital Assets	16,577,603	14,441,463	2,136,140	14.79%
Restricted	8,618,512	11,327,557	(2,709,045)	-23.92%
Unrestricted	(41,120,003)	(40,456,877)	(663,126)	-1.64%
Total Net Position	\$(15,923,888)	\$ (14,687,857)	\$ (1,236,031)	8.42%

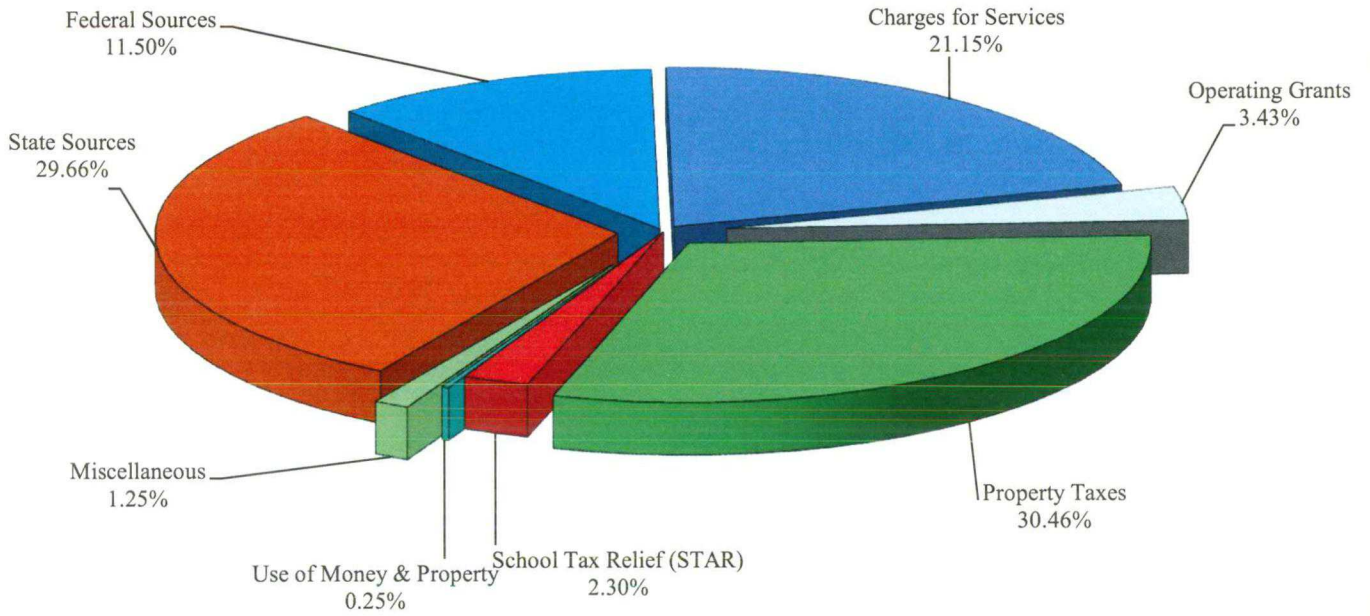
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the years ended June 30 2020 and 2019:

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF ACTIVITIES  
SUMMARY OF CHANGES IN NET POSITION

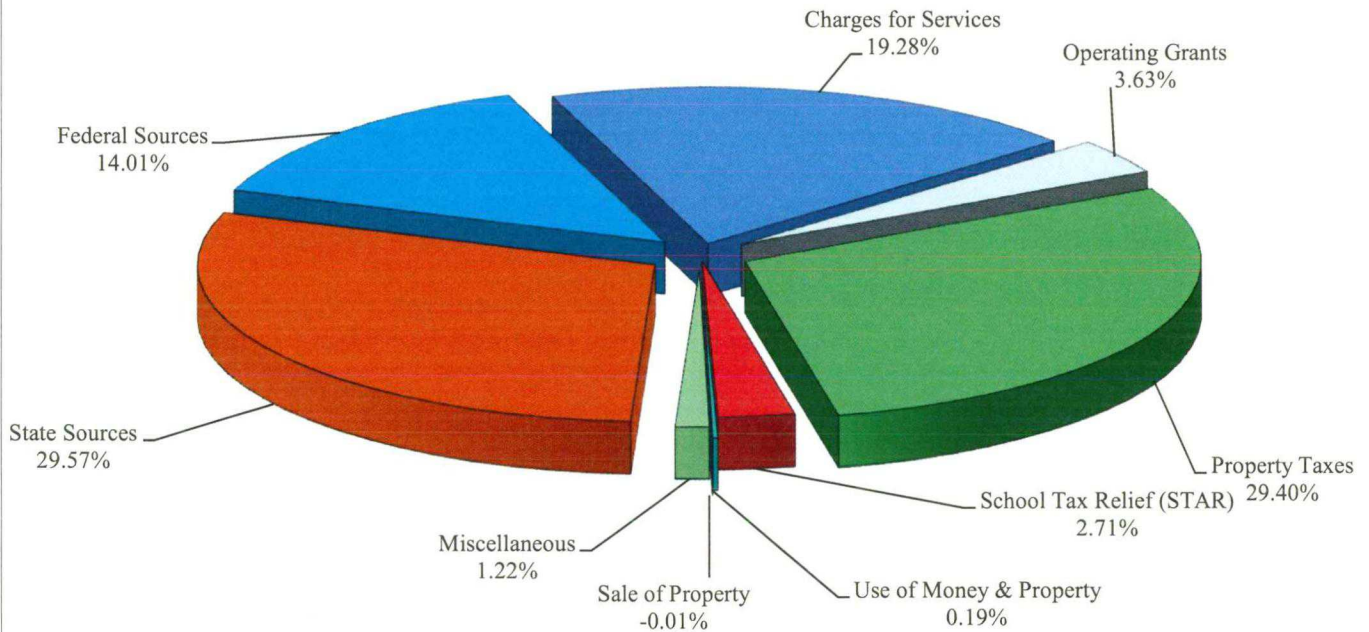
	FOR THE YEAR ENDED JUNE 30, 2020		FOR THE YEAR ENDED JUNE 30, 2019		\$ Change	%
		%		%		
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 7,193,467	21.15%	\$ 6,553,856	19.28%	\$ 639,611	9.76%
Operating Grants	1,164,950	3.43%	1,233,009	3.63%	(68,059)	-5.52%
GENERAL REVENUES:						
Property Taxes	10,357,575	30.46%	9,994,842	29.40%	362,733	3.63%
School Tax Relief (STAR)	781,973	2.30%	920,676	2.71%	(138,703)	-15.07%
Use of Money & Property	86,305	0.25%	63,371	0.19%	22,934	36.19%
Sale of Property	0	0.00%	(2,785)	-0.01%	2,785	-100.00%
Miscellaneous	426,016	1.25%	414,099	1.22%	11,917	2.88%
State Sources	10,086,250	29.66%	10,055,316	29.57%	30,934	0.31%
Federal Sources	3,909,057	11.50%	4,761,624	14.01%	(852,567)	-17.90%
TOTAL REVENUES	34,005,593	100.00%	33,994,008	100.00%	11,585	0.03%
<u>EXPENSES</u>						
General Support	3,782,054	10.73%	3,341,313	10.66%	440,741	13.19%
Instruction	18,508,482	52.53%	16,788,115	53.53%	1,720,367	10.25%
Pupil Transportation	2,242,962	6.36%	2,729,818	8.71%	(486,856)	-17.83%
Employee Benefits	9,093,698	25.80%	6,925,244	22.09%	2,168,454	31.31%
Debt Service Interest	177,239	0.50%	21,899	0.07%	155,340	709.35%
Depreciation	1,050,440	2.98%	1,126,670	3.59%	(76,230)	-6.77%
School Lunch Program	386,749	1.10%	423,697	1.35%	(36,948)	-8.72%
TOTAL EXPENSES	35,241,624	100.00%	31,356,756	100.00%	3,884,868	12.39%
CHANGE IN NET POSITION	\$ (1,236,031)		\$ 2,637,252		\$ (3,873,283)	

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK

**SOURCES OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

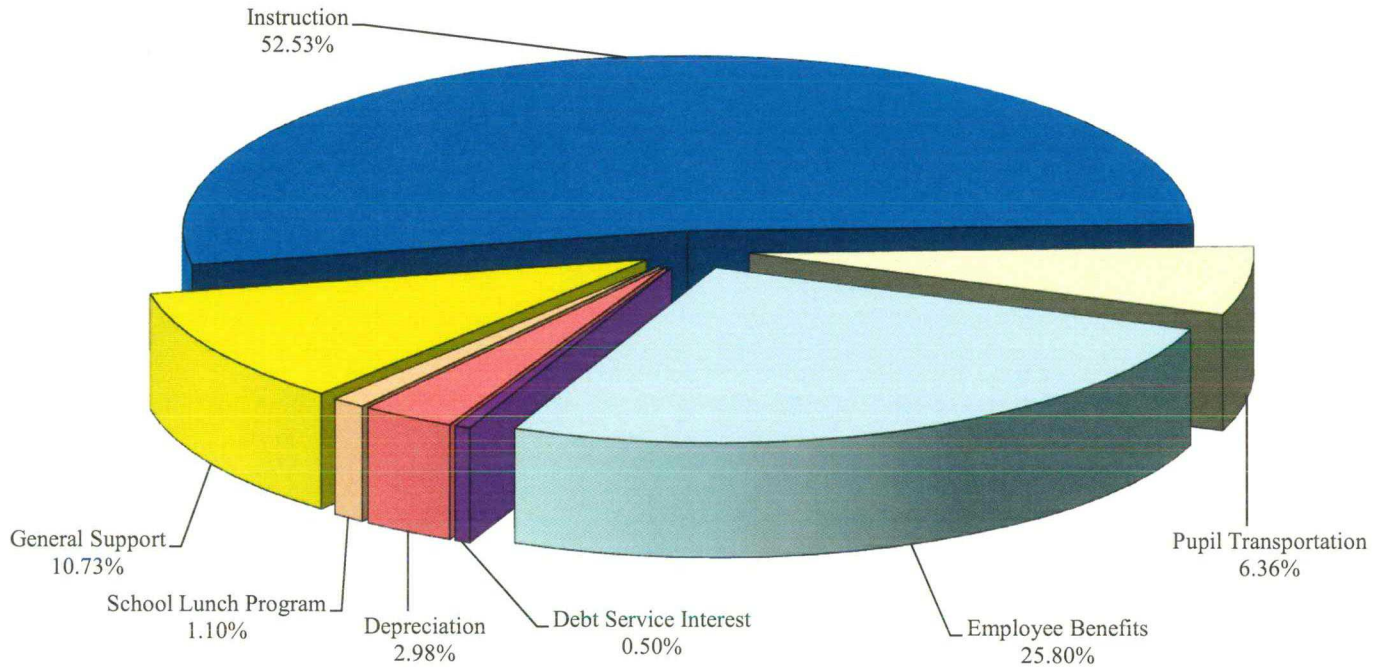


**SOURCES OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

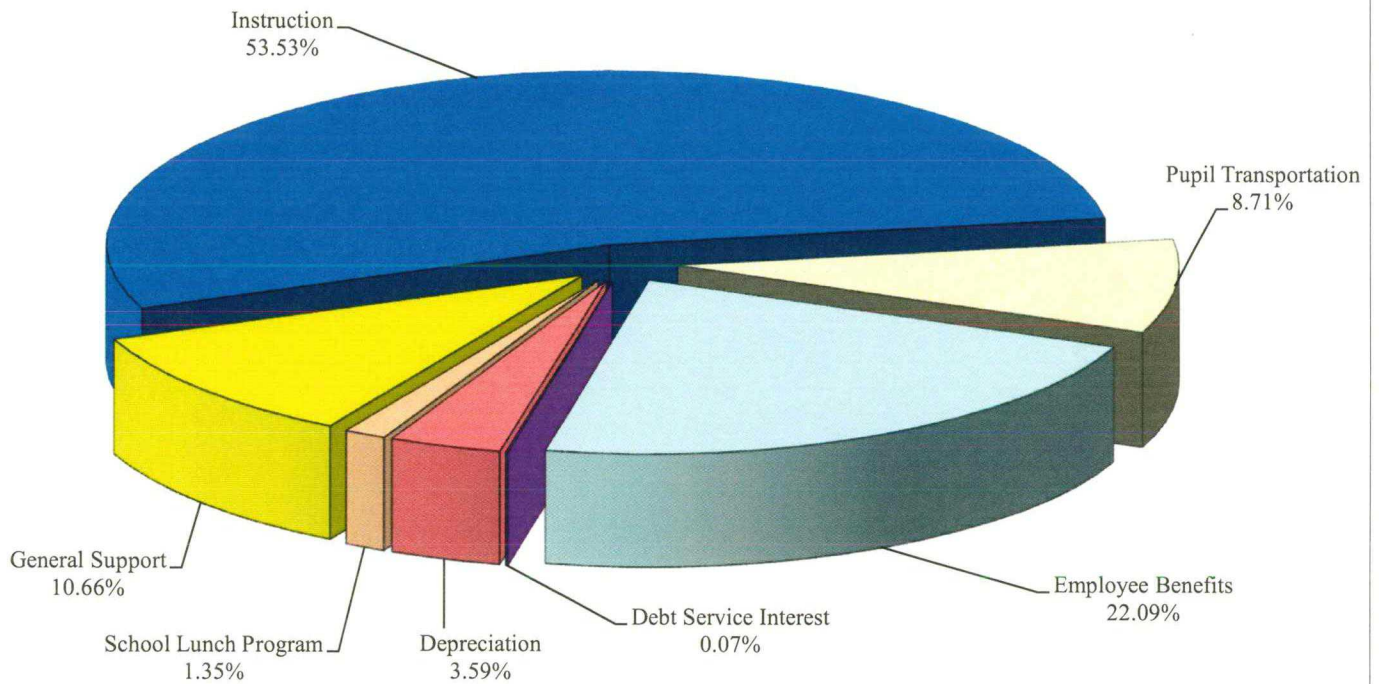


HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK

EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020



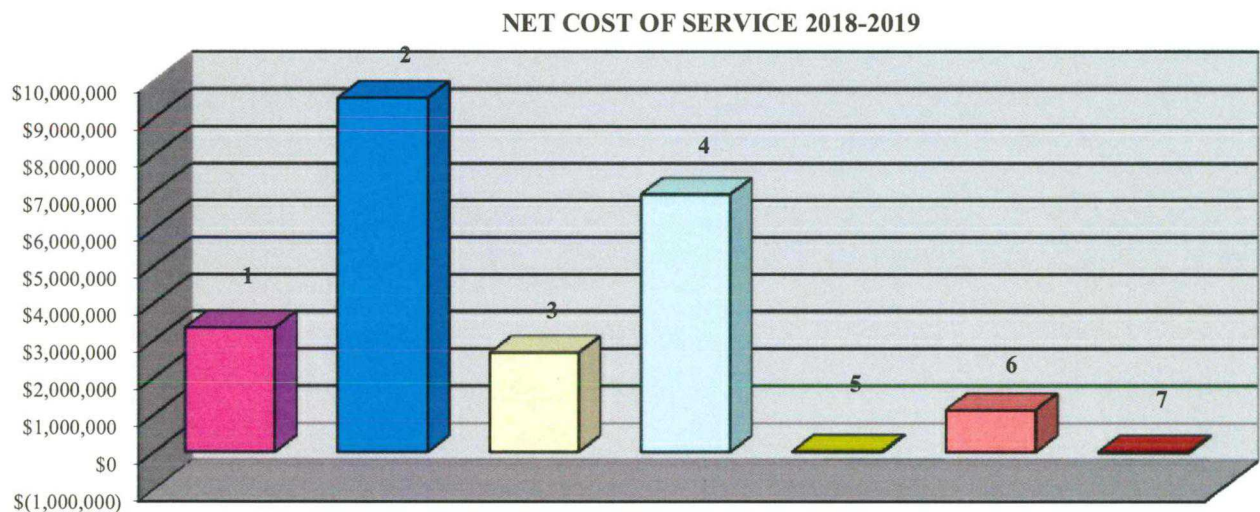
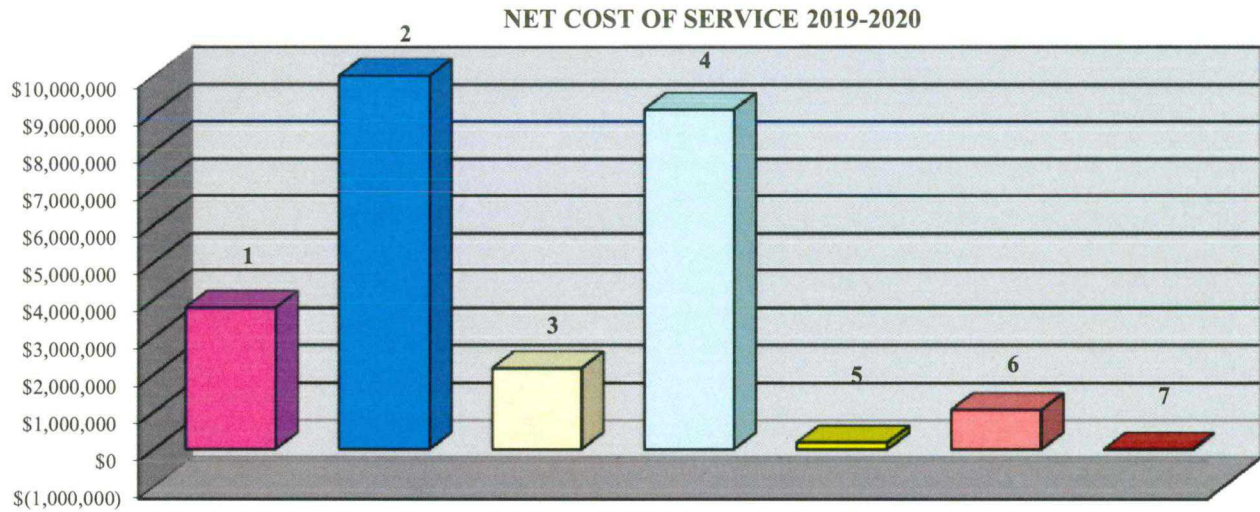
EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF ACTIVITIES  
NET COSTS

The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2019-2020	NET COST OF SERVICES 2019-2020	TOTAL COST OF SERVICES 2018-2019	NET COST OF SERVICES 2018-2019
General Support	1	\$ 3,782,054	\$ 3,772,971	\$ 3,341,313	\$ 3,332,009
Instruction	2	18,508,482	10,651,373	16,788,115	9,532,116
Pupil Transportation	3	2,242,962	2,158,742	2,729,818	2,653,388
Employee Benefits	4	9,093,698	9,093,698	6,925,244	6,925,244
Debt Service - Interest	5	177,239	177,239	21,896	21,896
Depreciation	6	1,050,440	1,050,440	1,126,670	1,126,670
School Lunch Program	7	386,749	(21,256)	423,697	(21,438)
		\$ 35,241,624	\$ 26,883,207	\$ 31,356,753	\$ 23,569,885



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**Financial Analysis of the District's Funds**

As discussed, the District's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the District consist of the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund. The total fund balances allocated between nonspendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows:

	June 30, 2020				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 0	\$ 4,675,450	\$ 898,597	\$ 8,626,356	\$ 14,200,403
Special Aid	0	12,839	0	0	12,839
School Lunch	8,154	150,244	0	0	158,398
Capital Projects	0	0	0	(10,586,143)	(10,586,143)
Debt Service	0	154,923	0	0	154,923
	\$ 8,154	\$ 4,993,456	\$ 898,597	\$ (1,959,787)	\$ 3,940,420

	June 30, 2019				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 0	\$ 4,331,971	\$ 464,974	\$ 7,526,169	\$ 12,323,114
Special Aid	0	12,839	0	0	12,839
School Lunch	8,164	112,817	0	0	120,981
Capital Projects	0	1,830,053	0	0	1,830,053
Debt Service	0	70,580	0	0	70,580
	\$ 8,164	\$ 6,358,260	\$ 464,974	\$ 7,526,169	\$ 14,357,567

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$45,283 during the year. The supplemental appropriations consisted of Bullet Aid Grant in the amount of \$40,000, and Donations of \$5,283.

In the General Fund for the fiscal year ended June 30, 2020, actual revenues were greater than the final budgeted revenues by \$940,667 (2.96%). Revenue sources significantly over budget were from federal sources, in particular receipt of Impact Aid, tuition from Garrison CSD and West Point (DoDea).

Actual expenditures and encumbrances were less than the final budgeted expenditures by \$1,008,272 (3.12%). The District monitored its' expenses and looked for ways to reduce cost.

For fiscal year 2020-2021, the District has appropriated \$500,000 of fund balance to reduce the tax levy.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

General Fund Budgetary Highlights (Continued)

Factors that continue to affect the budget process are as follows:

- Property Tax Cap – The Property Tax Cap continues to put constraints on the budgeting process as we are limited to the revenues that can be raised; limiting the increases to the expenditure budget.
- Employees Retirement Contributions and Teachers Retirement Contribution have been fluctuating during the past few budget seasons. These fluctuations will be monitored in future years as it can affect other areas in the budget in a negative way.
- State Aid Cuts - The Gap Elimination Adjustment has been fully restored but, the freeze of the Foundation Aid formula continues to limit state aid increases, however this trend appears to be mitigating.
- Affordable Care Act – The District continues to anticipate expenses and fees that will increase District health care costs as well as increases in the administration of soft costs related to managing the program. Calendar year 2015 was the first year that the District reported detailed health insurance information to the IRS for the employees of the District.

Management believes that the budget adopted for 2020-2021 is reasonably adaptable to any adverse changes that may arise based on the above factors.

Other Fund Highlights

The Special Aid Fund ended the year with a fund balance of \$12,839.

The School Lunch Program Fund ended the year with a fund balance of \$172,873. The revenues exceeded expenditures by \$37,417. The District plans to enhance the school service operations through increased promotional and marketing efforts.

The Capital Projects Fund ended the year with a fund balance of (\$10,586,143). The District began a capital project at the High School that was funded by a bond anticipation note which will be converted into long term financing.

Debt Service Fund ended the year with a fund balance of \$154,923. This fund balance will be appropriated in future years to offset principal and interest payments.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2020, was \$27,317,219. The total increase in this net investment was 80.12% for the District as a whole (see schedule below). The District's investment in capital assets, net of accumulated depreciation as of June 30, 2019 was \$15,166,463. The District expended \$13,201,196 to acquire equipment and construct capital assets during the fiscal year ended June 30, 2020. Depreciation expense for the year was \$1,050,440.

CAPITAL ASSETS  
Net of Accumulated Depreciation

	<u>School District Activities</u>		<u>% Change</u>
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
<u>Non-Depreciable Assets:</u>			
Land	\$ 152,475	\$ 152,475	0.00%
Construction in Progress	16,099,127	1,718,384	836.88%
<u>Depreciable Assets:</u>			
Land Improvements	244,846	282,927	-13.46%
Building and Improvements	10,458,405	12,546,191	-16.64%
Furniture and Equipment	330,484	426,015	-22.42%
Vehicles	31,882	40,471	-21.22%
<b>TOTALS</b>	<u>\$27,317,219</u>	<u>\$15,166,463</u>	<b>80.12%</b>

Long-Term Debt

At the end of the year, the District had total bonded debt outstanding of \$615,000. This amount is backed by the full faith and credit of the Highland Falls-Fort Montgomery Central School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Total Bonded Debt Outstanding	<u>\$ 725,000</u>	<u>\$ 0</u>	<u>\$ 110,000</u>	<u>\$ 615,000</u>

Bond Ratings

Moody's Investors Service ("Moody's") has assigned a rating of "A1" to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's Investors Service. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise S. Cedeira, Assistant Superintendent for Business, at the District's business offices at 21 Morgan Road, Highland Falls, New York 10928.