

FORT EDWARD UNION FREE SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2016

FORT EDWARD UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Edward Union Free School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Edward Union Free School District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 10), schedule of funding progress for the District's postemployment healthcare plan (Supplemental Schedule 1), budgetary comparison information (Supplemental Schedule 2), Schedule of the District's proportionate share of the net pension asset (liability) (Supplemental Schedule 3), and Schedule of District pension contributions (Supplemental Schedule 4), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

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

Supplemental Schedules 5 and 6 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Supplemental Schedules 5 and 6 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016 on our consideration of the Fort Edward Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 Fort Edward Union Free School District's internal control over financial reporting and compliance.



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

October 11, 2016

FORT EDWARD UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The following is a discussion and analysis of the Fort Edward Union Free School District's financial performance for the fiscal year ended June 30, 2016. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

The School District's net position for the fiscal year ended June 30, 2016 was \$5,969,650, an increase of \$514,532 or 9.43% from the prior year. A detailed table of the District's net position can be found on page six. This increase is partially due to an operating surplus from the general fund of \$259,657. The District's enrollment remained steady at approximately 550 students. There were no active capital projects during the 2015-16 fiscal year. State Aid increased 2.47% this past year, including an almost full restoration of Gap Elimination Adjustment.

Two unresolved issues mitigate the reported financial results. The District's real property taxes have included taxes levied on improvements installed by GE for the purpose of removing pcb sediments from the Hudson River under a consent order with the EPA. GE has challenged the assessed values of these improvements dating back to 2009. The removal is complete, and it is expected that a financial settlement which may refund some of the back taxes will be forthcoming. The District has reserved \$1,944,121 in anticipation of this, but the eventual obligation could be more or it could be less. The collective bargaining agreement with the Fort Edward Teacher's Association expired on June 30, 2013. Negotiations have continued, and a tentative agreement was reached in August 2016. There is a provision for retroactive salary increases in the tentative agreement, but until the agreement is ratified, the amount is uncertain.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements, Continued

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

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

District-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

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

Fund Financial Statements, Continued

The District has two kinds of funds:

1. Governmental Funds: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, a statement reconciling the two sets of statements is provided.

2. Fiduciary Funds: The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and student activities funds. The School District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The following table provides a summary of the School District's net position:

	<u>Governmental Activities and Total School District Net Position</u>			
	<u>2015</u>	<u>2016</u>	<u>Change</u> <u>2015-16</u>	<u>% Change</u>
Assets:				
Current and Other Assets	\$ 7,418,583	7,417,005	(1,578)	(0.02%)
Capital Assets, Net	<u>11,699,408</u>	<u>11,237,551</u>	<u>(461,857)</u>	(3.95%)
Total Assets	19,117,991	18,654,556	(463,435)	(2.42%)
Deferred Outflows of Resources	<u>781,834</u>	<u>910,918</u>	<u>129,084</u>	16.51%
Total Assets and Deferred Outflows of Resources	<u>\$ 19,899,825</u>	<u>19,565,474</u>	<u>(334,351)</u>	(1.68%)
Liabilities:				
Long-Term Liabilities	\$ 12,320,628	12,375,673	55,045	0.45%
Other Liabilities	<u>144,229</u>	<u>248,588</u>	<u>104,359</u>	72.36%
Total Liabilities	12,464,857	12,624,261	159,404	1.28%
Deferred Inflows of Resources	<u>1,979,850</u>	<u>971,563</u>	<u>(1,008,287)</u>	(50.93%)
Total Liabilities and Deferred Inflows of Resources	<u>14,444,707</u>	<u>13,595,824</u>	<u>(848,883)</u>	(5.88%)
Net Position:				
Net Investment in Capital Assets	4,624,408	5,007,551	383,143	8.29%
Restricted	2,571,318	2,771,713	200,395	7.79%
Unrestricted	<u>(1,740,608)</u>	<u>(1,809,614)</u>	<u>(69,006)</u>	(3.96%)
Total Net Position	<u>5,455,118</u>	<u>5,969,650</u>	<u>514,532</u>	9.43%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 19,899,825</u>	<u>19,565,474</u>	<u>(334,351)</u>	(1.68%)

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

Financial Analysis of the School District as a Whole, Continued

	<u>Changes in Net Position from Operating Results</u>			
	<u>2015</u>	<u>2016</u>	<u>Change</u> <u>2015-16</u>	<u>% Change</u>
Revenue				
Program Revenues				
Sales/Charges for Services	\$ 140,344	140,688	344	0.25%
Operating Grants and Contributions	752,410	720,796	(31,614)	(4.20%)
General Revenues				
Property Taxes (Including Star)	3,669,719	3,713,039	43,320	1.18%
State Aid	6,264,680	6,419,449	154,769	2.47%
Medicaid/Medicare Reimbursements	40,481	36,094	(4,387)	(10.84%)
Use of Money and Property	59,876	53,064	(6,812)	(11.38%)
Miscellaneous	<u>129,847</u>	<u>128,122</u>	<u>(1,725)</u>	<u>(1.33%)</u>
Total Revenues	<u>11,057,357</u>	<u>11,211,252</u>	<u>153,895</u>	<u>1.39%</u>
Expenses				
General Support	1,046,018	1,080,672	34,654	3.31%
Instruction	5,170,158	5,595,527	425,369	8.23%
Pupil Transportation	267,929	282,992	15,063	5.62%
Employee Benefits	1,943,983	2,056,668	112,685	5.80%
Community Services	5,000	5,000	-	-
Debt Service - Interest	304,433	250,993	(53,440)	(17.55%)
School Lunch Program	250,670	253,618	2,948	1.18%
Other Postemployment Benefits (GASB 45)	633,447	698,327	64,880	10.24%
Unallocated Depreciation	<u>520,661</u>	<u>472,923</u>	<u>(47,738)</u>	<u>(9.17%)</u>
Total Expenses	<u>10,142,299</u>	<u>10,696,720</u>	<u>554,421</u>	<u>5.47%</u>
Changes in Net Position	<u>\$ 915,058</u>	<u>514,532</u>	<u>(400,526)</u>	<u>(43.77%)</u>

Revenue: In the 2015-16 year, revenue increased by \$153,895, or 1.39%. State aid was the largest increase at \$154,769, or 2.47%. Overall property taxes increased by approximately \$43,320 or 1.18%, staying just under the tax cap.

Charges for services includes tuition for out of district students enrolled in special education programs in the District. Students are enrolled as space is available.

Expenses: The District as a whole had an increase in expenses of \$554,421 or 5.47% compared to 2015. Instruction went up \$425,369 or 8.23% due to a number of factors. Special education enrollment to outside private and public schools can fluctuate from year to year and this past year enrollment increased. The cost of special education was higher for students educated in the District as well. The District also had an increase in teacher salaries due to contractual step increases.

The District had increases in transportation, school lunch, and in general support that totaled just over \$50,000.

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

General Fund Budgetary Highlights

The General Fund is the only fund in which the budget is legally adopted. The following table compares the budget to the revised budget and actual expenditures for the General Fund.

Budget	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrance</u>	<u>Final Variance</u>
Revenues:					
Real Property Taxes	\$ 3,116,809	3,116,809	3,115,266		(1,543)
Other Tax Items	595,615	595,615	597,773		2,158
Charges for Services	94,300	94,300	75,579		(18,721)
Use of Money and Property	49,977	49,977	53,064		3,087
Miscellaneous Revenues	<u>96,000</u>	<u>96,000</u>	<u>128,122</u>		<u>32,122</u>
Total Local Sources	3,952,701	3,952,701	3,969,804		17,103
State Sources	6,545,898	6,545,898	6,419,449		(126,449)
Medicare/Medicaid	<u>44,000</u>	<u>44,000</u>	<u>36,094</u>		<u>(7,906)</u>
Total Revenues	10,542,599	10,542,599	10,425,347		(117,252)
Other Financing Sources:					
Prior Year Encumbrances	24,060	24,060	-		(24,060)
Appropriated Reserves	<u>381,000</u>	<u>381,000</u>	<u>-</u>		<u>(381,000)</u>
Total Revenues and Other Sources	\$ <u>10,947,659</u>	<u>10,947,659</u>	<u>10,425,347</u>		<u>(522,312)</u>
Expenditures:					
General Support	\$ 1,182,313	1,192,863	1,085,662	1,343	105,858
Instruction	5,437,592	5,446,992	5,079,700	330	366,962
Transportation	300,584	302,684	282,992	-	19,692
Community Services	5,000	5,000	5,000	-	-
Employee Benefits	2,941,170	2,919,120	2,641,685	-	277,435
Debt Service	<u>1,057,000</u>	<u>1,057,000</u>	<u>1,057,000</u>	<u>-</u>	<u>-</u>
Total Expenditures	10,923,659	10,923,659	10,152,039	1,673	769,947
Interfund Transfer	<u>24,000</u>	<u>24,000</u>	<u>13,651</u>	<u>-</u>	<u>10,349</u>
Total Expenditures	\$ <u>10,947,659</u>	<u>10,947,659</u>	<u>10,165,690</u>	<u>1,673</u>	<u>780,296</u>

In reviewing the budgetary variances, the School District underspent the original expenditure budget by \$780,296 or 7.1%. Instruction was well under the budget by 6.7% or \$366,962. Of this, special education was underspent by over \$177,409 due to changes in special education enrollment. Employee benefits was 9.5% under budget. The District was budgeting increases in pension and insurance rates that were less than planned.

Financial Analysis of the School District's Funds

The governmental funds of the School District consist of the General Fund, Special Aid Fund, and the School Lunch Fund. The total fund balance allocated between these funds is as follows:

	<u>Non-spendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General Fund	\$ -	2,771,318	354,173	791,208	3,916,699
Special Aid Fund	-	395	-	-	395
School Lunch Fund	<u>915</u>	<u>-</u>	<u>1,658</u>	<u>-</u>	<u>2,573</u>
Total	\$ <u>915</u>	<u>2,771,713</u>	<u>355,831</u>	<u>791,208</u>	<u>3,919,667</u>

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

Financial Analysis of the School District's Funds, Continued

Due to the reduction of assigned fund balance along with an operating surplus for the year ended June 30, 2016, the General Fund unassigned fund balance increased to \$791,208 which is available for future use. A capital project is being developed which may include funding from a capital reserve to be established. In July 2015, the Board of Education approved \$200,000 of unassigned fund balance to be restricted for the purposes of tax certiorari proceedings.

Capital Asset and Debt Administration

	Capital Assets (Net of Depreciation)		
	<u>Government Activities and Total School District</u>		
	<u>2015</u>	<u>2016</u>	<u>% Change</u>
Land	\$ 8,731	8,731	-
Buildings	11,256,781	10,865,626	(3.47%)
Vehicles and Equipment	<u>433,896</u>	<u>363,194</u>	(16.29%)
Totals	\$ <u>11,699,408</u>	<u>11,237,551</u>	(3.95%)

Long-Term Debt

As of June 30, 2016, the School District had total serial bonds outstanding of \$6,230,000. This amount is backed by the full faith and credit of the Fort Edward Union Free School District. The debt service payments are anticipated to be funded by approved New York State building aid and voter approved property taxes.

	<u>2015</u>	<u>2016</u>	<u>% Change</u>
General Obligation Bonds	\$ <u>7,075,000</u>	<u>6,230,000</u>	(11.94%)

Short-Term Debt

As of June 30, 2016, the School District had no short-term debt in the form of Bond Anticipation Notes (BAN) or Revenue Anticipation Notes (RAN).

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

Contacting the School District's Financial Management

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

Mr. Wesley Clark, Interim Business Manager
Fort Edward Union Free School District
220 Broadway
Fort Edward, New York 12828

FORT EDWARD UNION FREE SCHOOL DISTRICT

STATEMENT OF NET POSITION

GOVERNMENTAL ACTIVITIES

JUNE 30, 2016

Assets	
Cash:	
Unrestricted	\$ 1,015,528
Restricted	2,771,713
Receivables:	
Accounts Receivable	20,382
State and Federal Aid	598,570
Due From Fiduciary Funds	337,862
Inventories	915
Capital Assets, net	11,237,551
Net Pension Asset - Proportionate Share	2,672,035
Total Assets	<u>18,654,556</u>
Deferred Outflows of Resources	
Pensions	910,918
Total Deferred Outflows of Resources	<u>910,918</u>
	<u>\$ 19,565,474</u>
Liabilities	
Payables:	
Accounts Payable	\$ 224,879
Accrued Liabilities	7,738
Unearned Revenues	15,971
Long-Term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	830,000
Due to Teachers' Retirement System	554,790
Due to Employees' Retirement System	29,663
Due and Payable After One Year:	
Bonds Payable	5,400,000
Compensated Absences	877,831
Other Postemployment Benefits Payable	4,297,577
Net Pension Liability - Proportionate Share	385,812
Total Liabilities	<u>12,624,261</u>
Deferred Inflows of Resources	
Pensions	<u>971,563</u>
Net Position	
Net Investment in Capital Assets	5,007,551
Restricted	2,771,713
Unrestricted (Deficit)	<u>(1,809,614)</u>
Total Net Position	<u>5,969,650</u>
	<u>\$ 19,565,474</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

Functions / Programs	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
General Support	\$ (1,080,672)	(317,538)	-	-	(1,398,210)
Instruction	(5,595,527)	(2,072,053)	75,579	513,463	(7,078,538)
Pupil Transportation	(282,992)	(118,224)	-	-	(401,216)
Community Services	(5,000)	-	-	-	(5,000)
Employee Benefits	(2,056,668)	2,056,668	-	-	-
Debt Service - Interest	(250,993)	-	-	-	(250,993)
School Lunch Program	(253,618)	(21,776)	65,109	207,333	(2,952)
Other Postemployment Benefits	(698,327)	-	-	-	(698,327)
Depreciation, Unallocated	(472,923)	472,923	-	-	-
Total Functions and Programs	<u>\$ (10,696,720)</u>	<u>-</u>	<u>140,688</u>	<u>720,796</u>	<u>(9,835,236)</u>
General Revenues					
Real Property Taxes					3,115,266
Real Property Tax Items					597,773
Use of Money and Property					53,064
Miscellaneous					128,122
State Sources					6,419,449
Medicaid Reimbursement					20,527
Medicare Reimbursement					15,567
Total General Revenues					<u>10,349,768</u>
Change in Net Position					514,532
Total Net Position- Beginning of Year					<u>5,455,118</u>
Total Net Position - End of Year					<u>\$ 5,969,650</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total Governmental Funds</u>
Assets				
Unrestricted Cash	\$ 676,511	265,701	73,316	1,015,528
Restricted Cash	2,771,318	395	-	2,771,713
Accounts Receivable	20,382	-	-	20,382
State and Federal Aid Receivable	404,014	180,252	14,304	598,570
Due From Other Funds	854,213	32	-	854,245
Inventories	-	-	915	915
Total Assets	<u>\$ 4,726,438</u>	<u>446,380</u>	<u>88,535</u>	<u>5,261,353</u>
Liabilities				
Accounts Payable	\$ 209,589	136	15,154	224,879
Due to Other Funds	32	445,849	70,502	516,383
Due to Teachers' Retirement System	554,790	-	-	554,790
Due to Employees' Retirement System	29,663	-	-	29,663
Unearned Revenues	15,665	-	306	15,971
Total Liabilities	<u>809,739</u>	<u>445,985</u>	<u>85,962</u>	<u>1,341,686</u>
Fund Balances				
Nonspendable	-	-	915	915
Restricted	2,771,318	395	-	2,771,713
Assigned	354,173	-	1,658	355,831
Unassigned	791,208	-	-	791,208
Total Fund Balances	<u>3,916,699</u>	<u>395</u>	<u>2,573</u>	<u>3,919,667</u>
Total Liabilities and Fund Balances	<u>\$ 4,726,438</u>	<u>446,380</u>	<u>88,535</u>	<u>5,261,353</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	General	Special Aid	School Lunch	Total Governmental Funds
Revenues				
Real Property Taxes	\$ 3,115,266	-	-	3,115,266
Real Property Tax Items	597,773	-	-	597,773
Charges for Services	75,579	-	-	75,579
Use of Money and Property	53,064	-	61	53,125
Miscellaneous	128,122	-	-	128,122
State Sources	6,419,449	157,273	6,207	6,582,929
Medicaid Reimbursement	20,527	-	-	20,527
Medicare Reimbursement	15,567	-	-	15,567
Federal Sources	-	356,190	190,244	546,434
Surplus Food	-	-	10,882	10,882
Sales - School Lunch	-	-	65,048	65,048
Total Revenues	<u>10,425,347</u>	<u>513,463</u>	<u>272,442</u>	<u>11,211,252</u>
Expenditures				
General Support	1,085,662	-	-	1,085,662
Instruction	5,079,700	467,691	-	5,547,391
Pupil Transportation	282,992	-	-	282,992
Community Services	5,000	-	-	5,000
Employee Benefits	2,641,685	59,028	19,012	2,719,725
Debt Service				
Principal	845,000	-	-	845,000
Interest	212,000	-	-	212,000
Cost of Sales	-	-	253,618	253,618
Total Expenditures	<u>10,152,039</u>	<u>526,719</u>	<u>272,630</u>	<u>10,951,388</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>273,308</u>	<u>(13,256)</u>	<u>(188)</u>	<u>259,864</u>
Other Sources and Uses				
Operating Transfers In	-	13,651	-	13,651
Operating Transfers (Out)	(13,651)	-	-	(13,651)
Total Other Sources and Uses	<u>(13,651)</u>	<u>13,651</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over Expenditures, Other Uses and Special Items	259,657	395	(188)	259,864
Fund Balance, Beginning of Year	<u>3,657,042</u>	<u>-</u>	<u>2,761</u>	<u>3,659,803</u>
Fund Balance, End of Year	<u>\$ 3,916,699</u>	<u>395</u>	<u>2,573</u>	<u>3,919,667</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trusts	Agency
Assets		
Cash	\$ -	377,134
Restricted Cash	47,508	36,572
Total Assets	<u>\$ 47,508</u>	<u>413,706</u>
Liabilities		
Extraclassroom Activity Balances	\$ -	16,867
Other Activity Balances	-	19,705
Other Liabilities	-	39,272
Due to Other Funds	-	337,862
Total Liabilities	<u>-</u>	<u>413,706</u>
Net Position		
Reserved for Scholarships	<u>47,508</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 47,508</u>	<u>413,706</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trusts
Additions	
Gifts and Contributions	\$ 11,427
Investment Earnings	39
Total Additions	<u>11,466</u>
Deductions	
Scholarships and Awards	<u>2,250</u>
Change in Net Position	9,216
Net Position - Beginning of Year	38,292
Net Position - End of Year	<u>\$ 47,508</u>

See Notes To Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Cash:				
Unrestricted	\$ 1,015,528	-	-	1,015,528
Restricted	2,771,713	-	-	2,771,713
Receivables:				
Accounts Receivable	20,382	-	-	20,382
State and Federal Aid	598,570	-	-	598,570
Due From Other Funds	854,245	-	(854,245)	-
Due From Fiduciary Funds	-	-	337,862	337,862
Inventories	915	-	-	915
Capital Assets, net	-	11,237,551	-	11,237,551
Net Pension Asset - Proportionate Share	-	2,672,035	-	2,672,035
Total Assets	<u>5,261,353</u>	<u>13,909,586</u>	<u>(516,383)</u>	<u>18,654,556</u>
Deferred Outflows of Resources				
Pensions	-	910,918	-	910,918
Total Deferred Outflows of Resources	<u>-</u>	<u>910,918</u>	<u>-</u>	<u>910,918</u>
	<u>\$ 5,261,353</u>	<u>14,820,504</u>	<u>(516,383)</u>	<u>19,565,474</u>
Liabilities				
Payables:				
Accounts Payable	\$ 224,879	-	-	224,879
Accrued Liabilities	-	7,738	-	7,738
Due to Other Funds	516,383	-	(516,383)	-
Due to Teachers' Retirement System	554,790	-	-	554,790
Due to Employees' Retirement System	29,663	-	-	29,663
Unearned Revenues	15,971	-	-	15,971
Bonds Payable	-	6,230,000	-	6,230,000
Compensated Absences	-	877,831	-	877,831
Other Postemployment Benefits Payable	-	4,297,577	-	4,297,577
Net Pension Liability - Proportionate Share	-	385,812	-	385,812
Total Liabilities	<u>1,341,686</u>	<u>11,798,958</u>	<u>(516,383)</u>	<u>12,624,261</u>
Deferred Inflows of Resources				
Pensions	-	971,563	-	971,563
Fund Balance \ Net Position				
Total Fund Balance \ Net Position	<u>3,919,667</u>	<u>2,049,983</u>	<u>-</u>	<u>5,969,650</u>
	<u>\$ 5,261,353</u>	<u>14,820,504</u>	<u>(516,383)</u>	<u>19,565,474</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Eliminations	Statement of Activities Totals
Revenues						
Real Property Taxes	\$ 3,115,266	-	-	-	-	3,115,266
Real Property Tax Items	597,773	-	-	-	-	597,773
Charges for Services	75,579	-	-	-	-	75,579
Use of Money and Property	53,125	-	-	-	-	53,125
Miscellaneous	128,122	-	-	-	-	128,122
State Sources	6,582,929	-	-	-	-	6,582,929
Medicaid Reimbursement	20,527	-	-	-	-	20,527
Medicare Reimbursement	15,567	-	-	-	-	15,567
Federal Sources	546,434	-	-	-	-	546,434
Surplus Food	10,882	-	-	-	-	10,882
Sales - School Lunch	65,048	-	-	-	-	65,048
Total Revenues	<u>11,211,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,211,252</u>
Expenditures						
General Support	1,085,662	-	(4,990)	-	-	1,080,672
Instruction	5,547,391	54,212	(6,076)	-	-	5,595,527
Pupil Transportation	282,992	-	-	-	-	282,992
Community Services	5,000	-	-	-	-	5,000
Employee Benefits	2,719,725	(663,057)	-	-	-	2,056,668
Debt Service						
Principal	845,000	-	-	(845,000)	-	-
Interest	212,000	38,993	-	-	-	250,993
Cost of Sales	253,618	-	-	-	-	253,618
Other Postemployment Benefits	-	698,327	-	-	-	698,327
Depreciation, Unallocated	-	-	472,923	-	-	472,923
Total Expenditures	<u>10,951,388</u>	<u>128,475</u>	<u>461,857</u>	<u>(845,000)</u>	<u>-</u>	<u>10,696,720</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>259,864</u>	<u>(128,475)</u>	<u>(461,857)</u>	<u>845,000</u>	<u>-</u>	<u>514,532</u>
Other Sources and Uses						
Operating Transfers In	13,651	-	-	-	(13,651)	-
Operating Transfers (Out)	(13,651)	-	-	-	13,651	-
Total Other Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change for the Year	<u>\$ 259,864</u>	<u>(128,475)</u>	<u>(461,857)</u>	<u>845,000</u>	<u>-</u>	<u>514,532</u>

FORT EDWARD UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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

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

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found on pages 55 through 59 of this financial statement reporting package. The District accounts for assets held as an agent for various student organizations in an agency fund.

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

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

B. Joint Venture

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

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

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

During the year, the District was billed \$1,098,441 for BOCES administrative and program costs.

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

The District's share of BOCES aid amounted to \$439,976.

The District leases classroom space to BOCES via a 10 year lease agreement expiring June 30, 2016. The District's rental income for the year ended June 30, 2016 totaled \$41,042.

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

C. Basis of Presentation

i) District-wide Statements

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

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

i) District-wide Statements, Continued

The Statement of 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Statements

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

The District reports the following major governmental funds:

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

Special Aid and School Lunch 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, child nutrition, 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.

The District reports the following fiduciary funds:

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

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

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

ii) Fund Statements, Continued:

Fiduciary Funds, Continued

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

D. Measurement Focus and Basis of Accounting

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, 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, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

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

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

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

E. Cash and Investments, Continued

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 10, 2015. Taxes were collected during the period September 1, 2015 to November 2, 2015.

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

G. Accounts Receivable

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

H. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of 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 within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

I. Interfund Transactions, Continued

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

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

Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities, depreciation and useful lives of long-lived assets.

K. Capital Assets

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

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

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

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

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

L. Vested Employee Benefits

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

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

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

Consistent with GASB Statement No. 16, Accounting for Compensated Absences, 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.

M. Other Benefits

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

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

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. First 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 proportion share of total contributions to the pension systems not included in pension expense. Second is the District contributions to the pension systems subsequent to the measurement date.

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

N. Deferred Outflows and Inflows of Resources, Continued

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has an item that qualifies for reporting in this category which 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 liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS):

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

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

N. Deferred Outflows and Inflows of Resources, Continued

Pension Obligations, Continued

Plan Descriptions and Benefits Provided, Continued

Employees' Retirement System (ERS):

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

Contributions:

The Systems are non-contributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the Employer's contributions based on salaries paid during the System's fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2016	\$ 98,187	699,861
2015	125,186	640,188
2014	118,582	494,347

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

N. Deferred Outflows and Inflows of Resources, Continued

Pension Obligations, Continued

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

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 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	March 31, 2016	June 30, 2015
Net pension asset/(liability)	\$ (385,812)	\$ 2,672,035
District's portion of the Plan's total net pension asset/(liability)	0.0024038%	0.025725%

For the year ended June 30, 2016, the district-wide statements recognized pension expense of \$136,614 for ERS and a pension benefit of \$175,403 for TRS. At June 30, 2016, 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	\$ 1,950	-	45,732	74,054
Changes of assumptions	102,884	-	-	-
Net difference between projected and actual earnings on pension plan investments	228,885	-	-	844,644
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,702	10,994	7,133	-
District's accrual for contributions to be paid subsequent to the measurement date	<u>29,663</u>	<u>534,840</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 365,084</u>	<u>545,834</u>	<u>52,865</u>	<u>918,698</u>

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

N. Deferred Outflows and Inflows of Resources, Continued

Pension Obligations, Continued

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

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2016	\$ -	(339,349)
2017	71,825	(339,349)
2018	71,825	(339,349)
2019	71,825	141,797
2020	67,081	(7,902)
Thereafter	-	(23,552)

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, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7%	8%
Salary scale	3.8%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2005 - June 30, 2010
Inflation rate	System's Experience 2.5%	System's Experience 3.0%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

N. Deferred Outflows and Inflows of Resources, Continued

Pension Obligations, Continued

Actuarial Assumptions, Continued

For ERS, the actuarial assumptions used in the April 1, 2015 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, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

<u>ERS (Valuation Date April 1, 2015)</u>		<u>TRS (Valuation Date June 30, 2014)</u>	
<u>Asset Type</u>	<u>Percent</u>	<u>Asset Type</u>	<u>Percent</u>
Domestic Equity	7.30%	Domestic Equity	6.5%
International Equity	8.55%	International Equity	7.7%
Private Equity	11.00%	Real Estate	4.6%
Real Estate	8.25%	Alternative Investments	9.9%
Absolute Return Strategies	6.75%	Domestic Fixed Income Securities	2.1%
Opportunistic Portfolio	8.60%	Global Fixed Income Securities	1.9%
Real Assets	8.65%	Mortgages	3.4%
Bonds and Mortgages	4.00%	Short-term	1.2%
Cash	2.25%		
Inflation -- Indexed Bonds	4.00%		

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from Plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the 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.

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

N. Deferred Outflows and Inflows of Resources, Continued

Pension Obligations, Continued

Actuarial Assumptions, Continued

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7% for ERS and 8% 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 7.0% for TRS) or 1-percentage-point higher (8.0% for ERS and 9.0% for TRS) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
<u>ERS</u>			
Employers' proportionate share of the net pension asset/(liability)	\$ (869,977)	\$ (385,812)	\$ 23,288

	1% Decrease <u>(7.0%)</u>	Current Assumption <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
<u>TRS</u>			
Employers' proportionate share of the net pension asset/(liability)	\$ (182,267)	\$ 2,672,035	\$ 5,106,156

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)		
	<u>ERS</u> <u>April 1, 2015</u>	<u>TRS</u> <u>June 30, 2014</u>	<u>Total</u>
Valuation date			
Employers' total pension asset/(liability)	\$ (172)	(99,332)	(99,504)
Plan net position	<u>156</u>	<u>109,719</u>	<u>109,875</u>
Employers' net pension asset/(liability)	\$ <u>(16)</u>	<u>10,387</u>	<u>10,371</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	90.7%	110.46%	110.42%

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

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

N. Deferred Outflows and Inflows of Resources, Continued

Pension Obligations, Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$29,663.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 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, 2016 amounted to \$554,790.

O. Unearned Revenue

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

P. Restricted Resources

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

Q. Short-term Debt

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

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

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

Q. Short-term Debt, Continued

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

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

R. Accrued Liabilities and Long-term Obligations

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

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

S. 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 the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

S. Equity Classifications, Continued

Fund Statements:

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$915.

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. Restricted Fund balances available for use by the District include the following:

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

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

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

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

S. Equity Classifications, Continued

Fund Statements, Continued:

Restricted, Continued:

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

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

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

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

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

S. Equity Classifications, Continued

Fund Statements, Continued:

Restricted, Continued:

Tax Certiorari - According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Although Education Law Section 3651 generally requires that funds placed in a tax certiorari reserve fund be returned to the general fund by July 1 of the fourth fiscal year after their deposit if not otherwise used, an exception allows tax certiorari reserve fund monies to be retained in the reserve beyond the four year period if still “deemed reasonably required to pay any such judgment or claim if the proceeding or claim has not been finally determined or otherwise terminated.” As such, the District may permissibly maintain the monies previously placed in the tax certiorari reserve fund despite expiration of the four year period.

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

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

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.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2016.

Assigned - Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$1,673.

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

NOTE 1 Summary of Certain Significant Accounting Policies, Continued

S. Equity Classifications, Continued

Fund Statements, Continued:

Unassigned - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

Below is a summary of the fund balance classifications at June 30, 2016:

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
<u>Nonspendable</u>				
Inventory	\$ -	-	915	915
<u>Restricted</u>				
Special Aid	-	395	-	395
Capital	302	-	-	302
Insurance	29,000	-	-	29,000
Workers' Compensation	30,000	-	-	30,000
Unemployment Insurance	54,921	-	-	54,921
Debt	252,974	-	-	252,974
Tax Certiorari	1,944,121	-	-	1,944,121
Employee Benefit Accrued Liability	300,000	-	-	300,000
Retirement Contributions	160,000	-	-	160,000
	<u>2,771,318</u>	<u>395</u>	<u>-</u>	<u>2,771,713</u>
<u>Assigned</u>				
School Lunch	-	-	1,658	1,658
Central Administration	1,343	-	-	1,343
Instruction, Administration & Improvement	330	-	-	330
Appropriated Fund Balance	352,500	-	-	352,500
	<u>354,173</u>	<u>-</u>	<u>1,658</u>	<u>355,831</u>
<u>Unassigned</u>				
Unassigned Fund Balance	791,208	-	-	791,208
Total Fund Balances	\$ <u>3,916,699</u>	<u>395</u>	<u>2,573</u>	<u>3,919,667</u>

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 purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

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

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the District implemented the following new standards issued by GASB:

- GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.
- GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* that are not within the scope of GASB Statement No. 68, and amendments to certain provisions of GASB Statement No. 67 and 68, effective for the year ending June 30, 2016.
- GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

U. Future Changes in Accounting Standards

- GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans.
- GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the year ending June 30, 2017.
- GASB has issued Statement No. 82, *Pensions Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, effective for the year ending June 30, 2017.

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

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

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

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

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

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

Total fund balances of the District’s governmental funds differs from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

- i) **Long-term Revenue Differences** - Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- ii) **Capital Related Differences** - Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- iii) **Long-term Debt Transaction Differences** - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- 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.

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

Original cost of capital assets	\$ 19,551,953
Accumulated depreciation	<u>8,314,402</u>
Capital assets, net	<u>\$ 11,237,551</u>

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

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

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

Bonds payable	\$ 6,230,000
Compensated absences payable	877,831
Other postemployment benefits payable	4,297,577
Net pension liability - proportionate share	385,812

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The net change in compensated absences earned during the year ended June 30, 2016 totaled \$54,212.

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation (\$472,923) exceeded capital expenditures (\$11,066) in the current year.

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

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the accrual measurement and recognition of other postemployment benefits (OPEB) costs over a period that relates to when the service is provided to the employer, rather than recognizing those costs on a pay-as-you-go basis. The amount recorded in the Statement of Net Position (\$4,297,577) represents the actuarial accrued OPEB liability. The net change in other postemployment benefits shown in the Statement of Activities totaled \$698,327.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*, requires the District to report as an asset and/or liability its portion of the collective net pensions asset or liability in the New York State Teachers' and Employees' Retirement Systems. The District reported a net pension asset in the Statement of Net Position of \$2,672,035, which represents its proportionate share of the collective net pension of the New York State Teachers' Retirement System and a net pension liability of \$385,812, which represents its proportionate share of the collective net pension of the New York State Employees' Retirement System. In addition to the reported net pension liability, the District reported changes to deferred outflows and inflows of resources (see Note 1N). The net change in the net pension asset and liability and deferred outflows and inflows of resources shown in the Statement of Activities totaled \$663,057.

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

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

The Statement of Activities reflects an increase in interest expense for the remaining amortization (\$40,091) from a prior year refunding of serial bonds.

Interest on short-term and long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest reported in the Statement of Activities decreased by \$1,098.

NOTE 3 **Stewardship, Compliance and Accountability**

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

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

-Appropriations are adopted at the program line item level.

-Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No 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.

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 assigned 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.

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

NOTE 3 Stewardship, Compliance and Accountability, Continued

Unassigned Fund Balance Limit - The District's unassigned Fund Balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year (see Note 1 S). The District was at 7.1% as of June 30, 2016.

NOTE 4 Cash - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

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

The District's aggregate bank balances disclosed in the financial statements, included balances not covered by depository insurance at year-end of (A) \$ _____, (B) \$ 4,013,225 (C) \$ _____.

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

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,771,713 in the governmental funds and \$84,080 in the fiduciary funds.

NOTE 5 Capital Assets

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ <u>8,731</u>	<u>-</u>	<u>-</u>	<u>8,731</u>
Capital assets that are depreciated:				
Buildings and improvements	17,869,839	-	-	17,869,839
Furniture, equipment and vehicles	<u>1,668,190</u>	<u>11,066</u>	<u>(5,873)</u>	<u>1,673,383</u>
Total depreciable historical cost	<u>19,538,029</u>	<u>11,066</u>	<u>(5,873)</u>	<u>19,543,222</u>
Less accumulated depreciation:				
Buildings and improvements	(6,613,058)	(391,155)	-	(7,004,213)
Furniture, equipment and vehicles	<u>(1,234,294)</u>	<u>(81,768)</u>	<u>5,873</u>	<u>(1,310,189)</u>
Total accumulated depreciation	<u>(7,847,352)</u>	<u>(472,923)</u>	<u>5,873</u>	<u>(8,314,402)</u>
Total depreciable historical cost, net	<u>11,690,677</u>	<u>(461,857)</u>	<u>-</u>	<u>11,228,820</u>
Total historical cost, net	\$ <u>11,699,408</u>	<u>(461,857)</u>	<u>-</u>	<u>11,237,551</u>

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

NOTE 5 Capital Assets, Continued

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 6,926
Instruction	447,129
Pupil Transportation	13,151
School Lunch	<u>5,717</u>
Total Depreciation Expense	<u>\$ 472,923</u>

NOTE 6 Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Net</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:						
Bonds and notes payable:						
General obligation debt:						
Serial Bonds	\$ <u>7,075,000</u>	<u>-</u>	(845,000)	(845,000)	<u>6,230,000</u>	<u>830,000</u>
Other liabilities:						
Due to Teachers' Retirement System	710,907			(156,117)	554,790	554,790
Due to Employees' Retirement System	27,377			2,286	29,663	29,663
Compensated Absences	823,619			54,212	877,831	-
Other postemployment benefits payable	3,599,250			698,327	4,297,577	-
Net pension liability-proportionate share	<u>84,475</u>			<u>301,337</u>	<u>385,812</u>	-
Total other liabilities	<u>5,245,628</u>			<u>900,045</u>	<u>6,145,673</u>	<u>584,453</u>
Total long-term liabilities	<u>\$ 12,320,628</u>			<u>55,045</u>	<u>12,375,673</u>	<u>1,414,453</u>

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

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

Description of Issue:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2016</u>
<u>Serial Bonds</u>				
Capital Projects Serial Bonds	03/24/10	06/15/25	1.75 - 3.75%	\$ 4,145,000
School District Refunding Bonds	12/30/14	06/15/21	2.0%	<u>2,085,000</u>
				<u>\$ 6,230,000</u>

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 830,000	185,719	1,015,719
2018	845,000	165,119	1,010,119
2019	875,000	143,094	1,018,094
2020	900,000	119,219	1,019,219
2021	765,000	94,619	859,619
2022-2025	<u>2,015,000</u>	<u>186,780</u>	<u>2,201,780</u>
Totals	<u>\$ 6,230,000</u>	<u>894,550</u>	<u>7,124,550</u>

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

NOTE 6 Long-term Debt, Continued

In a prior year, the District defeased certain general obligations 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. During the year ended June 30, 2016, the trust account assets paid in full the outstanding defeased bonds.

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

Interest paid	\$ 212,000
Less: interest accrued in the prior year	(8,836)
Plus: interest accrued in the current year	7,738
Plus: net change in deferred amount on refunding	<u>40,091</u>
Total expense	<u>\$ 250,993</u>

The District has commitments to lease school buses under operating leases with terms expiring in June, 2017 and June, 2020. The minimum annual future non-cancelable operating lease payments are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2017	\$ 53,935
2018	35,535
2019	35,535
2020	17,185

NOTE 7 Interfund Balances and Activity

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 854,213	32	-	13,651
Special Aid Fund	32	445,849	13,651	-
School Lunch Fund	<u>-</u>	<u>70,502</u>	<u>-</u>	<u>-</u>
Total Government Activities	854,245	516,383	13,651	13,651
Fiduciary Agency Fund	<u>-</u>	<u>337,862</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 854,245</u>	<u>854,245</u>	<u>13,651</u>	<u>13,651</u>

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

The District typically transfers from the General Fund to the Special Aid Fund, to assist in funding the Summer School Handicapped Program, as well as to satisfy the matching criteria of specific grants, if any.

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

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

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

NOTE 8 Postemployment (Health Insurance) Benefits

The District provides postemployment (health insurance) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in the school year ended June 30, 2010. This required the District to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District has obtained an actuarial valuation report as of July 1, 2015 which indicates that the total liability for other postemployment benefits is \$4,297,577, which is reflected in the Statement of Net Position.

Plan Description: The District administers a single employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District's group health insurance plan (see Note 9), which covers both active and retired members. Benefit provisions are established through negotiations between the District and unions representing District employees. The plan does not issue a publicly available financial report.

Funding Policy: The contribution requirements of the plan are negotiated between the District and union representatives. The required contribution is based on projected pay-as-you-go financing requirements. For retirees, the District contributes between 50% - 100% of the premium cost. For the year ended June 30, 2016 the District's share of retiree (including spouses/dependents) health insurance was \$244,190 (approximately 60% of total premiums), while plan participants receiving benefits contributed \$163,406 (approximately 40% of total premiums) toward their health coverage.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,035,450
Interest on net OPEB obligation	151,037
Adjustment to annual required contribution	<u>(243,970)</u>
Annual OPEB cost (expense)	942,517
Contributions made	<u>(244,190)</u>
Increase in net OPEB obligation	698,327
Net OPEB obligation - beginning of year	3,599,250
Net OPEB obligation - end of year	\$ <u>4,297,577</u>

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

NOTE 8 Postemployment (Health Insurance) Benefits, Continued

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 896,332	26%	2,965,803
6/30/15	916,841	31%	3,599,250
6/30/16	942,517	26%	4,297,577

Funded Status and Funding Progress: As of July 1, 2015, the most recent actuarial valuation date, the plan was -0-% funded. The actuarial accrued liability for benefits was \$9,749,335, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,749,335. The covered payroll (annual payroll of active employees covered by the plan) was \$4,589,985, and the ratio of the UAAL to the covered payroll was 212%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 2.5% initially, increased by increments to an ultimate rate of 5.5% after 5 years. The UAAL is being amortized using a level 30 year period and a "closed-basis"-so the amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time. Thirty years is the maximum amortization period allowed under GASB 45. The remaining amortization period at June 30, 2016, was 23 years.

NOTE 9 Risk Management

1. General

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

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

NOTE 9 Risk Management, Continued

2. Workers' Compensation Pool

The District participates in the Southern Adirondack Public Schools Workers' Compensation plan administered by the Board of Directors which is composed of the chief executive officer or other designated officers of the districts participating in Washington-Saratoga-Warren-Hamilton-Essex BOCES. Participants of the plan are required to make their current year contributions on July 15 and October 15 of each plan year. The plan year is July 1 through June 30. The Board may retain surplus to establish and maintain a claim contingency fund. If sufficient funds are not available the Board will determine the amount to be assessed to the participants. For the year ended June 30, 2016, \$46,058 was paid to the plan for workers' compensation premiums.

3. Health Insurance Consortium

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

NOTE 10 Contingencies

A) The School District is subject to a number of lawsuits and claims arising out of the conduct of its business including those relating to personal injury, personnel practices and tax certiorari proceedings. While the ultimate results of these lawsuits and claims cannot be presently determined, management does not expect that these matters will have a material adverse effect on the financial position of the School District.

B) 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 years' experience, the District's administration believes disallowances, if any, will be immaterial.

NOTE 11 Subsequent Events

Management has evaluated subsequent events through October 11, 2016 the date the financial statements were available to be issued.

FORT EDWARD UNION FREE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE DISTRICT'S
POSTEMPLOYMENT HEALTHCARE PLAN

FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
07/01/09	-	\$ 7,813,290	7,813,290	0.0%	\$ 4,537,593	172.2%
07/01/10	-	7,963,773	7,963,773	0.0%	4,533,105	175.7%
07/01/11	-	8,120,276	8,120,276	0.0%	4,502,421	180.4%
07/01/12	-	8,742,200	8,742,200	0.0%	4,534,692	192.8%
07/01/13	-	8,918,332	8,918,332	0.0%	4,434,498	201.1%
07/01/14	-	9,088,492	9,088,492	0.0%	4,455,674	204.0%
07/01/15	-	9,749,335	9,749,335	0.0%	4,589,985	212.4%

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

FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
Revenues					
Local Sources:					
Real Property Taxes	\$ 3,116,809	3,116,809	3,115,266		(1,543)
Real Property Tax Items	595,615	595,615	597,773		2,158
Charges for Services	94,300	94,300	75,579		(18,721)
Use of Money and Property	49,977	49,977	53,064		3,087
Miscellaneous	96,000	96,000	128,122		32,122
Total Local Sources	3,952,701	3,952,701	3,969,804		17,103
State Sources	6,545,898	6,545,898	6,419,449		(126,449)
Medicaid Reimbursement	35,000	35,000	20,527		(14,473)
Medicare Reimbursement	9,000	9,000	15,567		6,567
Total Revenues	10,542,599	10,542,599	10,425,347		(117,252)
Other Financing Sources					
Prior Year Encumbrances	24,060	24,060	-		(24,060)
Appropriated Fund Balance	381,000	381,000	-		(381,000)
Total Revenues and Other Financing Sources	\$10,947,659	10,947,659	10,425,347		(522,312)
Expenditures					
General Support:					
Board of Education	\$ 7,050	13,385	12,644	-	741
Central Administration	171,712	172,012	169,976	1,343	693
Finance	169,024	173,320	170,670	-	2,650
Staff	32,025	33,925	22,078	-	11,847
Central Services	654,656	652,421	565,345	-	87,076
Special Items	147,846	147,800	144,949	-	2,851
Total General Support	1,182,313	1,192,863	1,085,662	1,343	105,858
Instruction:					
Instruction, Administration & Improvement	184,974	185,074	178,629	330	6,115
Teaching - Regular School	2,748,187	2,716,027	2,590,828	-	125,199
Programs for Children with Handicapping Conditions	1,666,955	1,677,805	1,500,396	-	177,409
Occupational Education	189,000	167,000	158,850	-	8,150
Teaching - Special School	25,800	47,500	34,959	-	12,541
Instructional Media	210,691	232,601	230,031	-	2,570
Pupil Services	411,985	420,985	386,007	-	34,978
Total Instruction	5,437,592	5,446,992	5,079,700	330	366,962
Pupil Transportation	300,584	302,684	282,992	-	19,692
Community Services	5,000	5,000	5,000	-	-
Employee Benefits	2,941,170	2,919,120	2,641,685	-	277,435
Debt Service:					
Principal	845,000	845,000	845,000	-	-
Interest	212,000	212,000	212,000	-	-
	1,057,000	1,057,000	1,057,000	-	-
Total Expenditures	10,923,659	10,923,659	10,152,039	1,673	769,947
Other Financing Uses					
Transfers to Other Funds	24,000	24,000	13,651	-	10,349
Total Expenditures & Other Uses	\$10,947,659	10,947,659	10,165,690	1,673	780,296
Net Change in Fund Balance			259,657		
Fund Balance - Beginning			3,657,042		
Fund Balance - Ending			<u>\$ 3,916,699</u>		

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

FORT EDWARD UNION FREE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Teachers' Retirement System</u>	
	<u>6/30/2015</u>	<u>6/30/2014</u>
District's proportion of the net pension asset (liability)	0.025725%	0.025900%
District's proportionate share of the net pension asset (liability) \$	2,672,035	2,885,103
District's covered-employee payroll	3,927,315	3,897,418
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	68.04%	74.03%
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%
	 <u>Employees' Retirement System</u>	
	<u>3/31/2016</u>	<u>3/31/2015</u>
District's proportion of the net pension asset (liability)	0.0024038%	0.0025006%
District's proportionate share of the net pension asset (liability) \$	(385,812)	(84,475)
District's covered-employee payroll	613,839	617,846
District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	62.85%	13.67%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	Teachers' Retirement System										
	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	6/30/2006	
Contractually required contribution	\$ 677,409	621,699	467,606	432,111	337,649	246,440	303,305	340,980	347,532	319,199	
Contributions in relation to the contractually required contribution *	677,409	621,699	467,606	432,111	337,649	246,440	303,305	340,980	347,532	319,199	
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-	
District's covered-employee payroll	\$ 3,927,315	3,897,418	4,016,123	3,945,566	3,971,617	4,031,485	3,974,973	3,905,836	4,041,022	4,005,099	
Contributions as a percentage of covered-employee payroll	17.25%	15.95%	11.64%	10.95%	8.50%	6.11%	7.63%	8.73%	8.60%	7.97%	

	Employees' Retirement System										
	3/31/2016	3/31/2015	3/31/2014	3/31/2013	3/31/2012	3/31/2011	3/31/2010	3/31/2009	3/31/2008	3/31/2007	
Contractually required contribution	\$ 98,187	125,186	118,582	109,242	96,912	78,361	41,513	44,876	50,173	56,822	
Contributions in relation to the contractually required contribution	98,187	125,186	118,582	109,242	96,912	78,361	41,513	44,876	50,173	56,822	
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-	
District's covered-employee payroll	\$ 613,839	617,846	623,290	616,413	666,710	651,403	659,055	671,738	576,504	598,787	
Contributions as a percentage of covered-employee payroll	16.00%	20.26%	19.03%	17.72%	14.54%	12.03%	6.30%	6.68%	8.70%	9.49%	

* Contributions are paid in the following year.

FORT EDWARD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET
TO FINAL BUDGET AND THE REAL
PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 10,923,599
Add: Prior Year's Encumbrances	24,060
	<hr/>
Original Budget	10,947,659
Budget Revision	-
Final Budget	<u><u>\$ 10,947,659</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 Voter-approved expenditure budget	
Maximum allowed (4% of 2016-17 budget)	<u><u>\$ 11,118,189</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 354,173
Unassigned fund balance	791,208
Total unrestricted fund balance	<u>1,145,381</u>
Less:	
Appropriated fund balance	352,500
Encumbrances included in assigned fund balance	<u>1,673</u>
Total adjustments	<u>354,173</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 791,208</u></u>
Actual percentage	7.1%

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

FORT EDWARD UNION FREE SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

JUNE 30, 2016

Capital Assets, net	<u>\$ 11,237,551</u>
Deduct:	
Short-term Portion of Bonds Payable	830,000
Long-term Portion of Bonds Payable	<u>5,400,000</u>
	<u>6,230,000</u>
Net Investment in Capital Assets	<u><u>\$ 5,007,551</u></u>

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fort Edward Union Free School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fort Edward Union Free School District's basic financial statements and have issued our report thereon dated October 11, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. 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 Fort Edward Union Free School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



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

October 11, 2016

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

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INDEPENDENT AUDITOR'S REPORT EXTRACLASSROOM ACTIVITY FUNDS

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

We have audited the accompanying financial statements of the Extraclassroom Activity Funds of the Fort Edward Union Free School District, which comprise the statement of assets, liabilities and fund balances-cash basis as of June 30, 2016, and the related statement of cash receipts and disbursements-cash basis for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Fort Edward Union Free School District as of June 30, 2016 and its cash receipts and disbursements for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

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



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

October 11, 2016

FORT EDWARD UNION FREE SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

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

JUNE 30, 2016

<u>Assets</u>	
Cash	<u>\$ 16,867.11</u>
 <u>Liabilities and Fund Balances</u>	
Fund Balances	<u>\$ 16,867.11</u>

See Note to These Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2016

<u>Activity</u>	<u>Balance July 1, 2015</u>	<u>Receipts/ Transfers</u>	<u>Disbursements/ Transfers</u>	<u>Balance June 30, 2016</u>
Class of 2016	4,266.76	2,930.08	7,196.84 *	-
Class of 2017	428.30	7,923.90	5,727.27	2,624.93
Class of 2018	1,019.57	1,392.40	235.61	2,176.36
Class of 2019	-	1,114.38	-	1,114.38
Band	1,539.82	8,396.50	4,928.30	5,008.02
Cheerleaders	479.48	192.56	158.10	513.94
Choir	11.45	205.57	205.56	11.46
Football Club	179.56	5,095.98	3,715.65	1,559.89
Girls Basketball	13.58	1,990.02	1,988.12	15.48
Honor Society	1,016.86	0.84	544.20	473.50
Key Club	69.09	1,501.12	1,420.00	150.21
Softball Club	498.74	0.35	379.16	119.93
Student Council	96.69	304.11	300.00	100.80
Volleyball Club	515.93	1,577.09	1,313.82	779.20
Yearbook	935.73	7,566.97	6,283.69	2,219.01
Total	<u><u>\$ 11,071.56</u></u>	<u><u>40,191.87</u></u>	<u><u>34,396.32</u></u>	<u><u>16,867.11</u></u>

* This includes a transfer of \$202.31 to Yearbook

See Note to These Financial Statements

FORT EDWARD UNION FREE SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 Summary of Significant Accounting Policies

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

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

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INDEPENDENT AUDITOR'S LETTER TO MANAGEMENT

October 11, 2016

CONFIDENTIAL

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

Dear Board Members:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Fort Edward Union Free School District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Fort Edward Union Free School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fort Edward Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fort Edward Union Free School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

We did identify several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 11, 2016 on the financial statements of Fort Edward Union Free School District. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel. Our comments are summarized as follows:

Fund Balance

The District's unassigned fund balance at June 30, 2016 (\$791,208) was approximately 7.12 % of the 2016-17 budget, which exceeds by \$346,480 the amount allowed by real property tax law §1318 which is 4%. Management is aware of this overage in fund balance and will continue to monitor this situation during the 2016-17 school year in furthering their effort to comply with existing law.

Board Member Financial Oversight Training

As mentioned in the prior year's letter to management, New York State law requires all school board members elected or appointed on or after July 1, 2005 to complete at least six hours of training on financial oversight, accountability and fiduciary responsibilities. During our audit, we noted that two of the District's nine board members did not complete the required training. We recommend that the District establish a procedure to ensure that required board member training is completed and proof of completion is kept with the District's permanent records.

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

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



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