

Hudson Falls Central School

Financial Statements and Independent Auditor's Report

June 30, 2018

HUDSON FALLS CENTRAL SCHOOL

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Hudson Falls Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hudson Falls Central School (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

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

Reporting on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information that follow 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Report on Supplementary Information

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

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

The supplementary information included in this report has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

September 27, 2018

FOR THE FIRM
Jeffrey Beaker CPA

Hudson Falls Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. 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

Revenues decreased by 0.79% as a result of decreased operating grants and contributions, charges for services, and federal aid.

Expenditures decreased by 7.07% as a result of decreased employee benefits, general support, depreciation, and debt service interest.

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 fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the 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.

Figure A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the District-Wide and Fund Financial Statements			
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

The district-wide statements report information about the 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the School District's assets and liabilities – are one way to measure the School District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table shows a two-year analysis of the district's net position.

Condensed Statement of Net Position

	Governmental Activities and Total School District		Percentage Change
	2017	2018	2017-2018
Current and Other Assets	\$ 8,574,027	\$ 9,260,756	8.01%
Capital Assets	30,346,441	28,671,992	-5.51%
Deferred Outflows of Resources	10,462,447	10,531,861	0.66%
Total Assets & Deferred Outflows of Resources	49,382,915	48,464,609	-1.86%
Long-Term Debt Outstanding	56,761,514	75,474,583	32.97%
Other Liabilities	3,242,302	3,696,979	14.02%
Total liabilities	60,003,816	79,171,562	31.94%
Deferred Inflows of Resources	735,421	3,620,711	392.33%
Total Liabilities & Deferred inflows of Resources	60,739,237	82,792,273	36.31%
Net Position			
Invested in Capital Assets, Net of Related Debt	1,636,441	4,366,992	166.86%
Restricted	2,558,643	1,973,363	-22.87%
Unrestricted	(15,551,406)	(40,668,019)	161.507%
Total Net Position	\$ (11,356,322)	\$ (34,327,664)	N/A

Note: Totals may not add due to rounding

Changes in net position

The district's fiscal year revenues totaled \$46.95 million. Property taxes and state aid accounted for most of the district's revenues by contributing 25.80% and 63.80% respectively, of every dollar earned. The remainder of revenues came from fees charged for services, operations, & grants as shown in chart 1.

The district's fiscal year expenditures totaled \$47.97 million. Instruction costs and employee benefits accounted for 48.28% and 28.96%, respectively, of every dollar spent. The remainder of expenditures is highlighted in chart 2.

Change in Net Position from Operating Results

	Governmental and Total School District		Percentage Change 2017-2018
	2017	2018	
Revenues			
Program Revenues			
Charges for Services	\$ 516,833	\$ 299,437	-42.06%
Operating Grants and Contributions	4,062,429	3,240,484	-20.23%
General Revenues			
Property Taxes	11,941,516	12,114,873	1.45%
State Aid Formula	29,382,907	29,953,412	1.94%
Federal Aid	704,114	280,779	-60.12%
Interest Earnings/ use of property	72,142	74,162	2.80%
Miscellaneous	647,060	987,729	52.65%
Total Revenues	47,327,001	46,950,876	-0.79%
	Governmental Total School District		Total Change 2017-2018
	2017	2018	
Expenses			
General Support	5,103,052	4,737,169	-7.17%
Instruction	23,017,446	23,159,159	0.62%
Transportation	1,857,331	1,932,852	4.07%
Employee Benefits	17,387,795	13,892,743	-20.10%
Debt Service – Interest	1,188,352	1,138,289	-4.21%
Depreciation	1,923,901	1,862,851	-3.17%
Cost of Sales – Food	1,139,218	1,243,047	9.11%
Other	0	0	0.00%
Total Expenses	51,617,095	47,966,110	-7.07%
Increase(decrease)in Net Position	\$ (4,290,094)	\$ (1,015,234)	N/A

Note: Totals may not add due to rounding

Chart 1 and Chart 2 visually depict the revenues and expenses for the 2017-2018 year.

Chart 1

Sources of Revenues for Fiscal Year 2018

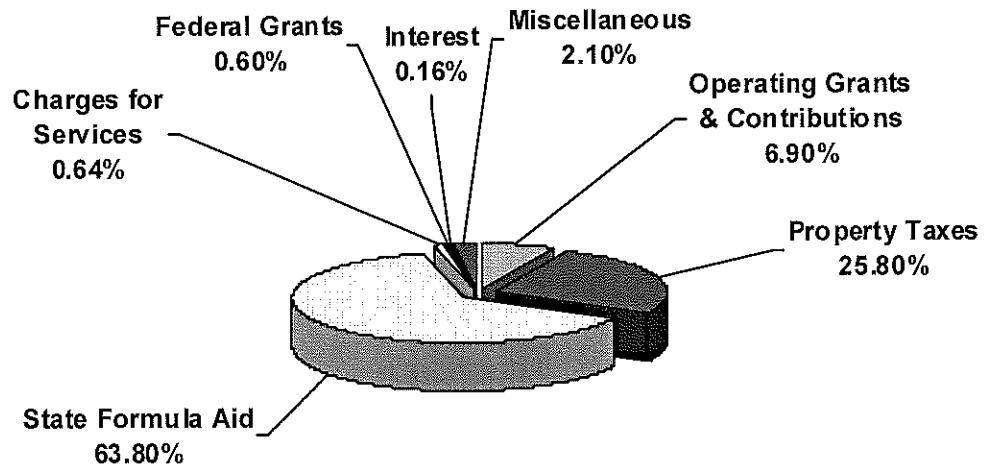
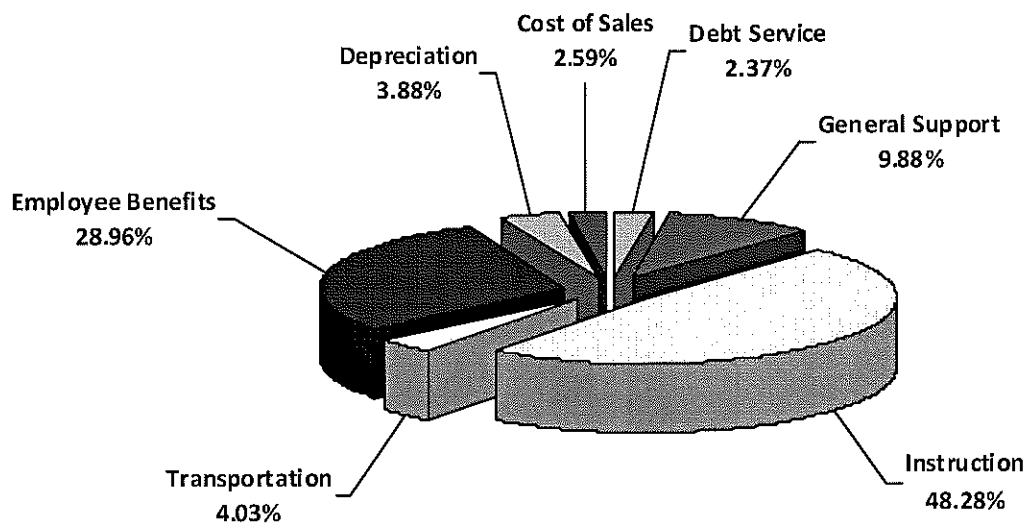


Chart 2

Expenses for Fiscal Year 2018



Governmental Activities

The table below presents the cost of seven major district areas. The table also shows each activity's net cost, (total cost less fees generated by the activity and grants received for specific programs). The total net cost shows the financial burden placed on the district.

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change 2017-2018	Net Cost of Services		Percentage Change 2017-2018
	2017	2018		2017	2018	
General Support	\$ 5,103,052	\$ 4,737,169	-7.17%	\$ 5,103,052	\$ 4,737,169	-7.17%
Instruction	23,017,446	23,159,159	0.62%	19,610,043	20,802,975	6.08%
Pupil Transportation	1,857,331	1,932,852	4.07%	1,857,331	1,932,852	4.07%
Employee Benefits	17,387,795	13,892,743	-20.10%	17,387,795	13,892,743	-20.10%
Debt Service –						
Interest	1,188,352	1,138,289	4.21%	1,188,352	1,138,289	-4.21%
Depreciation	1,923,901	1,862,851	-3.17%	1,923,901	1,862,851	-3.17%
Other	0	0		0	0	0.00%
Cost of Sales –						
Food	1,139,218	1,243,047	9.11%	(32,641)	59,310	281.70%
Total	\$ 51,617,095	\$ 47,966,110	-7.07%	\$ 47,037,883	\$ 44,426,189	-5.55%

Note: Totals may not add due to rounding

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

No other significant variances are reflected in the governmental fund financial statements for 2018.

General Fund – The General Fund ending fund balance decreased as of June 30, 2018 by \$54,828. This is shown in more detail in Statement # 5.

School Lunch fund – The School Lunch Fund's fund balance decreased by \$56,356. This was a result of current year's increased revenues and expenditures outweighing said revenues, these are detailed in Statement # 5. The School Lunch Fund balance is now \$463,144.

General Fund Budgetary Highlights

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the board approves them because of a need that exists which was not determined at the time the budget was adopted. The following is a schedule of budget modifications that occurred during the year.

Original adopted budget	\$ 44,396,412
June 30, 2017 carryover encumbrances	
Budget adjustments	<u>21,373</u>
Revised budget	\$ 44,417,785
Actual 2018 expenditures, see SS#2	<u>43,729,447</u>
Total expenditures under (over) budget	\$ <u>688,338</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of 2018, the district had invested \$28,671,992 net of accumulated depreciation, in a broad range of capital assets.

Capital Assets (Net of Depreciation)

	Governmental Activities and Total School District		Percentage Change
	2017	2018	
Land	\$ 252,763	\$ 252,763	0.00%
Construction in Progress	21,617	39,327	81.93%
Buildings	28,290,472	26,662,611	-5.75%
Equipment and Furniture	<u>1,781,589</u>	<u>1,717,291</u>	<u>-3.61%</u>
Total	\$ <u>30,346,441</u>	\$ <u>28,671,992</u>	<u>-5.52%</u>

Note: Totals may not add due to rounding.

Long-Term Debt

As of year-end, the district had outstanding long-term liabilities of \$74,973,001. The various obligations are listed below.

Outstanding Long-Term Debt

	Total School District		Percentage
	2017	2018	Change
General Obligation Bonds	\$ 28,710,000	\$ 24,305,000	-15.34%
Compensated Absences	6,661,811	6,891,568	3.45%
Due to Employees' Retirement Systems	0	0	0.00%
Post-employment Benefits Payable	18,979,969	43,776,433	130.65%
Total	\$ 54,351,780	\$ 74,973,001	37.94%

During the year, the district made principal payments of \$4,770,000 on their general obligation bonds.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time of these financial statements were prepared and audited the district was not aware of any circumstances that could significantly affect its financial health in the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

**Hudson Falls Central School
Business Office
Kevin Polunci, Director of Business
P.O. Box 710
Hudson Falls, New York, 12839
(518)747-2121**

FINANCIAL STATEMENTS

**Hudson Falls Central School
Statement of Net Position
Governmental Activities
June 30, 2018**

Statement #1

ASSETS

Cash	
Unrestricted	\$ 3,243,212
Restricted	886,489
Investments	
Unrestricted	
Restricted	
Receivables	
Taxes	
State and Federal aid	2,949,510
Due from other governments	1,442,486
Due from fiduciary funds	
Other	11,977
Inventories	47,318
Prepaid Expenditures	265
Net Pension Asset, Proportionate Share	679,499
Deferred expenditures	
Capital assets, net	28,671,992
Total Assets	37,932,748

DEFERRED OUTFLOWS OF RESOURCES

Pensions	10,531,861
Total Deferred Outflows of Resources	10,531,861

TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES

\$ 48,464,609

LIABILITIES

Payables	
Accounts payable	\$ 1,894,670
Accrued liabilities	
Due to other governments	279
Due to fiduciary funds	4,394
Retainage Payable	69,514
Bond interest and matured bonds	
Due to teachers' retirement	1,531,248
Due to employees' retirement	195,784
Notes payable	
Tax anticipation	
Revenue anticipation	
Bond anticipation	
Unearned credits	
Overpayments and collections in advance	
Unearned revenues - planned balance	
Unearned revenues - other	1,090
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,925,000
BANs refinanced on a long-term basis	
Installment purchase debt payable	
Due to teachers' retirement	
Due to employees' retirement	
Compensated absences	
Other Postemployment benefits payable	
Judgements and claims payable	
Due and payable after one year	
Bonds payable	20,380,000
Installment purchase debt payable	
Due to teachers' retirement	
Due to employees' retirement	
Compensated absences	6,891,568
Other Postemployment benefits payable	43,776,433
Net Pension Liability, Proportionate Share	501,582
Judgements and claims payable	
Total Liabilities	\$ 79,171,562

DEFERRED INFLOWS OF RESOURCES

Deferred Revenue	9,860
Pensions	3,610,851
Total Deferred Inflows of Resources	3,620,711

NET POSITION

Investment in capital assets, net of related debt	4,366,992
Restricted for:	
Reserve for employee retirement system	60,000
Tax Certiorari	197,134
Employee Benefits Reserve	924,271
Unemployment Insurance	153,159
Reserve for Debt	458,799
Reserve for Workers Compensation	180,000
Rounding	
Unrestricted (deficit)	(40,668,019)

Total Net Position \$ (34,327,664)

**Hudson Falls Central School
Statement of Activities
Governmental Activities
For the Year Ended June 30, 2018**

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 4,737,169	\$	\$	\$	\$ (4,737,169)
Instruction	23,159,159		178,570	2,177,614	(20,802,975)
Pupil transportation	1,932,852				(1,932,852)
Community service					
Employee benefits	13,892,743				(13,892,743)
Debt service - interest	1,138,289				(1,138,289)
Other expenses					
Depreciation - Unallocated		1,862,851			(1,862,851)
School lunch program	1,243,047		120,867	1,062,870	(59,310)
Total Functions and Programs	\$ 46,103,259	\$ 1,862,851	\$ 299,437	\$ 3,240,484	\$ (44,426,189)
GENERAL REVENUES					
Real property taxes					12,114,873
Other tax items					
Nonproperty taxes					
Use of money and property					71,335
Sale of property and compensation for loss					2,827
Interfund revenue					
State sources					29,953,412
Medicaid reimbursement					280,779
Federal sources					
Miscellaneous					987,729
Total General Revenues					43,410,955
Change in Net Position					(1,015,234)
Total Net Position - Beginning of year, As Previously Reported					(11,356,322)
Cumulative Change in Accounting Principle, note 27					(21,956,108)
Total Net Position - Beginning of year, As Restated					(33,312,430)
Rounding					
Total Net Positions - End of year					\$ (34,327,664)

Hudson Falls Central School
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Project	Non-Major	Total Governmental Funds
ASSETS							
Cash							
Unrestricted	\$ 804,785	\$ 1,556,550	\$ 225,657	\$ 656,220	\$	\$	\$ 3,243,212
Restricted investments	886,489						886,489
Investments							
Unrestricted							
Restricted							
Receivables							
Taxes							
Due from other funds	2,415,517		125,280		1,380,432		3,921,229
Due from fiduciary funds							
State and Federal aid	695,052	1,986,330	69,531		198,597		2,949,510
Due from other governments	1,442,486						1,442,486
Other	7,480		4,497				11,977
Inventories			47,318				47,318
Prepaid expenditures	265						265
Total Assets	\$ 6,252,074	\$ 3,542,880	\$ 472,283	\$ 656,220	\$ 1,579,029	\$	\$ 12,502,486
LIABILITIES							
Payables							
Accounts payable	\$ 888,038	\$	\$	\$	1,006,632	\$	\$ 1,894,670
Accrued liabilities							
Due to other funds	186,028	3,537,780		197,421			3,921,229
Due to fiduciary funds	384	4,010					4,394
Due to other governments			279				279
Retainage payable					69,514		69,514
Due to Teachers' Retirement System	1,531,248						1,531,248
Due to Employees' Retirement System	195,784						195,784
Judgements & claims payable							
Bond interest and matured bonds							
Notes payable							
Tax anticipation							
Revenue anticipation							
Bond anticipation							
Unearned credits							
Overpayments and collections in advance							
Deferred revenues		1,090					1,090
Planned balance							
Total Liabilities	2,801,482	3,542,880	279	197,421	1,076,146		7,618,208
DEFERRED INFLOWS OF RESOURCES							
Deferred Revenue			8,860		1,000		9,860
Total Deferred Inflows of Resources			8,860		1,000		9,860
FUND BALANCES							
Unspendable			47,318				47,318
Restricted	1,514,564			458,799			1,973,363
Committed							
Assigned	358,094		64,211				422,305
Unassigned	1,577,934		351,615		501,883		2,431,432
Total Fund Balances	3,450,592		463,144	458,799	501,883		4,874,418
Total Liabilities and Fund Balances	\$ 6,252,074	\$ 3,542,880	\$ 472,283	\$ 656,220	\$ 1,579,029	\$	\$ 12,502,486

Hudson Falls Central School
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Positions
June 30, 2018

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Positions Totals
ASSETS				
Cash				
Unrestricted	\$ 3,243,212			\$ 3,243,212
Restricted	886,489			886,489
Investments				
Unrestricted				
Restricted				
Receivables				
Due from other funds	3,921,229		(3,921,229)	
Due from fiduciary funds	1,442,486			1,442,486
Due from other governments	2,949,510			2,949,510
State & federal aid	11,977			11,977
Other	47,318			47,318
Inventories	265			265
Prepaid Expenditures				
Net Pension Asset, Proportionate Share		679,499		679,499
Mortgages receivable				
Land, buildings and equipment (net)		28,671,992		28,671,992
Total Assets	12,502,486	29,351,491	(3,921,229)	37,932,748
DEFERRED OUTFLOWS OF RESOURCES				
Pensions		10,531,861		10,531,861
Total Deferred Outflows of Resources		10,531,861		10,531,861
Total Assets and Deferred Outflows of Resources	\$ 12,502,486	\$ 39,883,352	\$ (3,921,229)	\$ 48,464,609
LIABILITIES				
Payables				
Accounts payable	\$ 1,894,670	\$	\$	\$ 1,894,670
Accrued liabilities				
Due to other funds	3,921,229		(3,921,229)	
Due to fiduciary funds	4,394			4,394
Due to other governments	279			279
Retainage payable	69,514			69,514
Due to NYSTRS	1,531,248			1,531,248
Due to NYSERS	195,784			195,784
Judgments and claims payable				
Bond interest and matured bonds				
Notes Payable				
Tax Anticipation				
Revenue anticipation				
Bond anticipation				
Deferred credits				
Overpayments and collections in advance				
Deferred revenues	1,090			1,090
Planned balance				
Bonds payable		24,305,000		24,305,000
Compensated absences		6,891,568		6,891,568
Net Pension Liability, Proportionate Share		501,582		501,582
Postemployment benefits		43,776,433		43,776,433
Total Liabilities	\$ 7,618,208	\$ 75,474,583	\$ (3,921,229)	\$ 79,171,562
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	9,860			9,860
Net Pension Liability, Proportionate Share		3,610,851		3,610,851
Total Deferred Inflows of Resource	9,860	3,610,851		3,620,711
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Positions	4,874,418	(39,202,082)		(34,327,664)
Total Liabilities and Fund Balance\Net Position	\$ 12,502,486	\$ 39,883,352	\$ (3,921,229)	\$ 48,464,609

Hudson Falls Central School
Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 12,114,873					\$ 12,114,873
Other tax items						
Nonproperty taxes						
Charges for services	178,570					178,570
Use of money and property	70,271		151	913		71,335
Sale of property and compensation for loss	2,827					2,827
Interfund revenue						
State sources	29,456,181	514,697	26,265		497,231	30,494,374
Sales - school lunch			120,867			120,867
Miscellaneous	971,118		2,803	13,808		987,729
Medicaid reimbursement	280,779					280,779
Federal sources		1,662,917	946,192			2,609,109
Surplus food			90,413			90,413
Total Revenues	43,074,619	2,177,614	1,186,691	14,721	497,231	46,950,876
EXPENDITURES						
General support	3,726,992	488,631	443,143			4,658,766
Instruction	21,614,089	1,545,070				23,159,159
Pupil transportation	1,932,852					1,932,852
Community service						
Employee benefits	10,389,353	201,785	241,407			10,832,545
Debt service						
Principal	4,770,000					4,770,000
Interest	1,138,289					1,138,289
Cost of sales			482,729			482,729
Other expenditures			75,768			75,768
Capital outlay					709,948	709,948
Total Expenditures	43,571,575	2,235,486	1,243,047		709,948	47,760,056
Excess (Deficiency) of Revenues Over Expenditures	(496,956)	(57,872)	(56,356)	14,721	(212,717)	(809,180)
OTHER FINANCING SOURCES AND USES						
Proceeds from debt					365,000	365,000
Operating transfers in	600,000	57,872			100,000	757,872
Operating transfers (out)	(157,872)			(600,000)		(757,872)
Reserve revenues						
Reserve expenditures						
Redeemed From Appropriations						
Premiums on Obligations Issued						
Total Other Sources (Uses)	442,128	57,872		(600,000)	465,000	365,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(54,828)		(56,356)	(585,279)	252,283	(444,180)
Fund Balances - Beginning of year	3,505,420		519,500	1,044,079	249,601	5,318,600
Rounding				(1)	(1)	(2)
Fund Balances - End of year	3,450,592		463,144	458,799	501,883	\$ 4,874,418

Hudson Falls Central School
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
For the Year Ended June 30, 2018

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 12,114,873				\$ 12,114,873
Other tax items					
Nonproperty taxes					
Charges for services	178,570				178,570
Use of money and property	71,335				71,335
Sale of property and compensation for loss	2,827				2,827
Interfund revenue					
State sources	30,494,374				30,494,374
Medicaid reimbursement	280,779				280,779
Federal sources	2,609,109				2,609,109
Surplus food	90,413				90,413
Sales - school lunch	120,867				120,867
Miscellaneous	987,729				987,729
Total Revenues	\$ 46,950,876				\$ 46,950,876
EXPENDITURES\EXPENSES					
General support	\$ 4,658,766		521,546		\$ 5,180,312
Instruction	23,159,159				23,159,159
Pupil transportation	1,932,852				1,932,852
Community service					
Employee benefits	10,832,545			3,301,605	14,134,150
Debt service					
Principal	4,770,000			(4,770,000)	
Interest	1,138,289				1,138,289
Cost of sales	482,729				482,729
Other expenditures	75,768				75,768
Depreciation - unallocated			1,862,851		1,862,851
Capital outlay	709,948		(709,948)		
Total Expenditures	47,760,056		1,674,449	(1,468,395)	47,966,110
Excess (Deficiency) of Revenues Over Expenditures	(809,180)		(1,674,449)	1,468,395	(1,015,234)
OTHER SOURCES AND USES					
Proceeds from debt	365,000			(365,000)	
Operating transfers in	757,872			(757,872)	
Operating transfers (out)	(757,872)			757,872	
Redeemed fro appropriations					
Reserve revenues					
Reserve expenditures					
Premiums on Obligations Issued					
Total Other Sources (Uses)	365,000			(365,000)	
Net Change for the Year	\$ (444,180)		(1,674,449)	1,103,395	\$ (1,015,234)

Hudson Falls Central School
Statement of Fiduciary Net Positions - Fiduciary Funds
June 30, 2018

Statement #7

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 54,221	\$ 322,387
Investments	10,000	
Accounts Receivable		1,912,499
Due From other funds		4,394
Total Assets	\$ <u>64,221</u>	\$ <u>2,239,280</u>
LIABILITIES		
Due to governmental funds	\$	\$
Due to other funds		
Extraclassroom activity balances		105,386
Other liabilities		<u>2,133,894</u>
Total Liabilities		\$ <u>2,239,280</u>
NET POSITION		
Reserved for scholarships	\$ <u>64,221</u>	

Statement of Changes in Fiduciary Net Positions - Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 30,487
Investment earnings	
Total Additions	<u>30,487</u>
DEDUCTIONS	
Scholarships and awards	<u>16,875</u>
Change in Net Position	13,612
Net Positions - Beginning of year	<u>50,609</u>
Net Positions - End of Year	\$ <u>64,221</u>

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of accounting policies:

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

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

A) Reporting entity:

The Hudson Falls Central 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 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The district accounts for assets held as an agent for various student organizations in an agency fund.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §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 \$5,370,764 BOCES administrative and program costs.

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

The District's share of BOCES aid amounted to \$1,854,184.

Financial statements for the BOCES are available from the BOCES administrative office.

C) Basis of presentation:

i) District-wide statements:

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

Hudson Falls Central School District

Notes to Financial Statements

For the Year Ended June 30, 2018

The statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to payroll expended in 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) Funds statements:

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

The District reports the following major governmental funds:

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

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

- Special Aid Fund: Used to account for proceeds received from the State and Federal grants that are restricted for specific educational programs.
- School Lunch: Used to account for child nutrition activities whose funds are restricted as to use.
- Miscellaneous Special Revenue: Used to account for and report those revenues that are restricted and committed to expenditures for specified purposes.
- Public Library Fund: Used to account for and report transactions of a library established and supported in whole or in part by real property taxes.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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

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 benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

D) Measurement focus and basis of accounting:

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing and 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 90 days after the end of the fiscal year.

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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) Property taxes:

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

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

F) 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 the Notes.

G) Interfund transactions:

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

In the district-wide statements, the amounts reported on the Statement of Net Position for inter fund 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 payable 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 12 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

estimates and assumptions that affect the reported amount of assets and liabilities and disclosures 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, potential contingent liabilities and useful lives of long-lived assets.

I) Cash (and cash equivalents)/Investments

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

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

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

Investments are stated at fair value.

J) Accounts receivable:

Receivables (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.

K) Inventories and prepaid items:

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

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

Hudson Falls Central School District

Notes to Financial Statements

For the Year Ended June 30, 2018

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L) Other assets/restricted assets:

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

M) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to July 01, 2003. For assets acquired prior to July 01, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 10,000	S/L	50
Building Improvements	10,000	S/L	50
Site Improvements	10,000	S/L	20
Furniture and equipment	10,000	S/L	5-10
Infrastructure	10,000	S/L	20

Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The school district is required to conduct a condition assessment of these assets at least once every three years.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

N) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly, is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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 three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O) Unearned Revenues:

The district reports unearned revenues on its statement of net position and its balance sheet. On the statement of net position, unearned revenue arises when resources are received by the district before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the district has legal claim to resources, the liability for unearned revenues is removed and the revenue is recognized.

P) Vested employee benefits:

Compensated Absences

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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

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

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

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

Q) 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 post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

R) Short-term debt:

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

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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

S) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, 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 fund 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.

T) Net Position/Fund Balance

Net Position Flow Assumption:

Sometimes the District will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption:

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

The Board has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at the maximum allowed by law. This amount is intended to provide financial stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for action to replenish the amount to the minimum target level. Generally, replenishment is to occur within a three-year period.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Order of Use of Fund Balance:

The District's policy is to apply expenditures against non-spendable 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, non-spendable 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 determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

District-wide statements

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

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

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

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

Fund Statements:

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 \$47,318.

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

Capital Reserve

Capital Reserve (Educational Law §3651) is used to pay the cost of any objector 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. Expenditures may be

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

made from the reserve only from a specific purpose further authorized by the voters. The form for the required legal notice for the vote on the 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.

Repair Reserve

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 of its members. Voter approval is required to fund the 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.

Unemployment Insurance Reserve

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 Service

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Insurance Reserve

According to General Municipal Law §6-n, must be used to pay liability, casualty and other type 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 the Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that 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 property loss and liability claims incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000.

Tax Certiorari

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

Uncollected Taxes in a City School District

According to Education Law §3651[1-b], must be used to cover uncollected real property taxes for a given tax fiscal year in a city school district provided the city or county is not required to pay to the treasurer of a city school district the amount of unpaid taxes during the fiscal year for which they are levied. Is created by resolution of the governing board, without voter approval, provided that the ratio of the amount of such reserve to the total principal amount of the district's tax levy for the fiscal year is not less than the ratio of the principal amount of the school district taxes as levied for the last completed fiscal year but not received by the district before the end of the fiscal year, to the total principal amount of the tax levy for the last completed fiscal year. Source of funds generally is through budgetary appropriations. If the city or country is not required to pay the treasurer of a city school district unpaid taxes pursuant to Section 1332 of the Real Property tax Law, the board of education of the city school district shall establish a reserve pursuant to this subdivision, provided that such reserve shall not be less than the amount of taxes for the fiscal year for which the budget is being prepared which are estimated to be unpaid during such fiscal year under the Real Property Tax Law. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Hudson Falls Central School District

Notes to Financial Statements

For the Year Ended June 30, 2018

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 funds must be provided to the Board.

Restricted Fund Balance includes the following:

General Fund	\$	
Capital		0
Debt Service		0
Employee Benefit Accrued Liability		924,271
Insurance		0
Liability Claims and Property Loss		0
Repairs		0
Retirement Contributions		60,000
Tax Certiorari		197,134
Uncollected Taxes in a City School District		0
Unemployment Insurance		153,159
Worker's Compensation		180,000
Capital Fund*		0
Debt Service Fund*		458,799
Special Aid Fund*		0
School Lunch Fund*		0
		<hr/>
Total Restricted Funds	\$	<u>1,973,363</u>

*includes remaining fund balance in these funds not otherwise classified as nonspendable, committed or assigned

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

Assigned – Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$8,094. The district also designated funds to the subsequent year in the amount of \$350,000.

Hudson Falls Central School District

Notes to Financial Statements

For the Year Ended June 30, 2018

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

Reserve for Tax Reduction

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

Unassigned Fund Balance:

NYS Real Property Tax Law 1218 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. Non-spendable 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.

U) New Accounting Standards

The District has adopted and implemented the following (all) current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018:

<i>GASB has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	Effective for the year ending June 30, 2018
<i>GASB has issued statement No. 81, Split Interest Agreements</i>	Effective for the year ending June 30, 2018
<i>GASB has issued statement No. 85, Omnibus</i>	Effective for the year ending June 30, 2018
<i>GASB has issued statement No. 86, Certain Debt Extinguishment Issues</i>	Effective for the year ending June 30, 2018

V) Future Changes in Accounting Standards

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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

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

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

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three 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 governmental 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 governmental 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 governmental 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.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

iv) Pension differences:

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

v) OPEB difference:

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

Note 3 – Changes in accounting principles:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See note 27 for the financial statement impact of the implementation of the statement.

Note 4 – Stewardship, compliance and accountability:

Budgets

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

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

Appropriations are adopted at the program line item level.

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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

Note 5 – Cash (and cash equivalents) - custodial credit, concentration of credit, interest rate and foreign currency risks:

Cash

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

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

Uncollateralized	\$ <u> 0</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ <u>4,516,309</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$886,489 within the governmental funds and \$0 in the fiduciary funds.

Investment and Deposit Policy

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Interest Rate Risk

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

Credit Risk

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

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities

Custodial Credit Risk

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

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Note 6 – Investments:

The District did not participate in any multi-municipal cooperative investment pool agreement, pursuant to New York General Municipal Law Article 5-G, § 119-0, as of the year ended June 30, 2018.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 7 – Receivables

Receivables at year-end for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Description	General	Special Aid	Nonmajor	Total
Accounts Receivable	\$ 7,480	\$ 0	\$ 4,497	\$ 11,977
Due from State and Federal	695,052	1,986,330	268,128	2,949,510
Total	\$ 702,532	\$ 1,986,330	\$ 272,625	\$ 2,961,487

District management has deemed the amounts to be fully collectible.

Note 8 – Capital assets:

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

	Beginning Balance	Additions	Retirements/ Reclassification s	Ending Balance
Governmental Activities:				
Capital Assets that are not depreciated:				
Land	\$ 252,763	\$ 0	\$ 0	\$ 252,763
Total non-depreciable historical cost	252,763	0	0	252,763
Capital Assets that are depreciated:				
Buildings	61,382,433	17,710	0	61,400,143
Furniture and equipment	9,036,525	170,692	0	9,207,217
Total depreciable historical cost	70,418,958	188,402	0	70,607,360
Less accumulated depreciation:				
Buildings	33,070,344	1,627,861	0	34,698,205
Furniture and equipment	7,254,936	234,990	0	7,489,926
Total accumulated depreciation	40,325,280	1,862,851	0	42,188,131
Net depreciable historical cost	\$ 30,346,441	\$ (1,674,449)	\$ 0	\$ 28,671,992
Depreciation not charged to a specific function		1,862,851		
		\$ 1,862,851		

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 9 – Short-term debt:

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

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

Note 10 – Long-term debt:

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

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government Activities:					
Bonds and notes payable:					
Building construction bonds	\$ 28,710,000	\$ 365,000	\$ 4,770,000	\$ 24,305,000	\$ 3,925,000
Total bonds & notes payable	<u>28,710,000</u>	<u>365,000</u>	<u>4,770,000</u>	<u>24,305,000</u>	<u>3,925,000</u>
Other liabilities:					
Compensated absences	\$ 6,661,811	\$ 229,757	\$ 0	\$ 6,891,568	\$ 0
Retirees health insurance	18,979,969	24,796,464	0	43,776,433	0
Due to employees' retirement	0	0	0	0	0
Total other liabilities	<u>\$ 25,641,780</u>	<u>\$ 25,026,221</u>	<u>\$ 0</u>	<u>\$ 50,668,001</u>	<u>\$ 0</u>
Total long-term liabilities	<u>\$ 54,351,781</u>	<u>\$ 25,391,221</u>	<u>\$ 4,770,000</u>	<u>\$ 74,973,001</u>	<u>\$ 3,925,000</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at year end
Building Construction Bond 700,000	6/15/05	2019	3.75%	100,000
Building Construction Bond 20,072,754	6/15/08	2024	2.5%	7,940,000
Building Construction Bond 17,905,000	6/17/09	2024	4.25%	8,455,000
Building Construction Bond 4,120,000	6/15/12	2027	3.9%	2,645,000
Building Construction Bond 4,555,000	6/27/13	2027	2.58%	2,905,000
Building Construction Bond 310,000	12/19/13	2018	2.12%	70,000
Building Construction Bond 1,769,000	6/15/15	2027	2.39%	1,365,000
Bus Bond 360,000	12/18/15	2020	1.68%	150,000
Bus Bond 365,000	12/1/16	2022	2.19%	310,000
Bus Bond 360,000	12/1/17	2023	2.15%	365,000
				<u>\$ 24,305,000</u>

The following is a summary of debt service requirements:

<u>Serial Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2019	\$ 3,925,000	\$ 948,553	\$ 4,873,553
2020	3,970,000	806,028	4,776,028
2021	3,835,000	661,471	4,496,471
2022	3,945,000	686,378	4,631,378
2023	3,885,000	512,965	4,397,965
2024-2028	4,745,000	688,526	5,433,526
2029-2033	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>24,305,000</u>	\$ <u>4,303,921</u>	\$ <u>28,608,921</u>

Currently, the District does not have any equipment under capital leases.

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

Interest paid	\$ 1,138,289
Less: interest accrued in the prior year	0
Plus: interest accrued in the current year	<u>0</u>
Total expense	\$ <u>1,138,289</u>

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 11 – Pension plans:

General Information:

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

Provisions and administration:

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

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

Funding policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based

Hudson Falls Central School District

Notes to Financial Statements

For the Year Ended June 30, 2018

on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions for the current year and two preceding years based on covered payroll paid for the District was:

		NYSTRS		NYSERS
2018	\$	1,395,265	\$	667,702
2017	\$	1,657,446	\$	661,123
2016	\$	1,825,296	\$	690,838

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. The legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over the 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised. As a result, the total unpaid liability at the end of the year was \$0.

The State Legislature authorized local governments to make available retirement incentive programs with estimated total costs of \$0, of which \$0 was charged to expenditures in the Governmental Funds in the current fiscal year.

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

At June 30, 2017, the District reported the following asset/ (liability) for its proportionate share of the net pensions asset/(liability) for of the Systems. The net pension asset/(liability) was measured as of June 30, 2016 for TRS and March 31, 2017 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	31-Mar-18	30-Jun-17
District's proportionate share of the net pension asset/(liability)	\$ (501,582)	\$ 679,499
District's portion of the Plan's total net pension asset/(liability)	0.0155411 %	0.089396 %

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

For the year ended June 30, 2018, the District's recognized pension expense of \$635,143 for ERS and the actuarial value \$1,660,295 for TRS. At June 30, 2018 the District's 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	\$ 178,898	\$ 559,061	\$ 147,835	\$ 264,929
Changes of assumptions	\$ 332,590	\$ 6,914,037	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ 728,508	\$ -	\$ 1,438,001	\$ 1,600,417
Changes in proportion and differences between the District's contributions and proportionate share of contributions	\$ 88,282	\$ 3,452	\$ 6,227	\$ 153,442
District's contributions subsequent to the measurement date	\$ 195,785	\$ 1,531,248	\$ -	\$ -
Total	\$ 1,524,063	\$ 9,007,798	\$ 1,592,063	\$ 2,018,788

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

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2018	\$ -	\$ 132,984
2019	\$ 136,130	\$ 1,804,982
2020	\$ 104,163	\$ 1,284,775
2021	\$ (347,071)	\$ 300,707
2022	\$ (157,007)	\$ 1,280,966
thereafter	\$ -	\$ 653,349

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:

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary scale	3.80%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2017 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

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

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

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2018</u>	<u>2018</u>
Asset Class:		
Domestic equities	36%	4.55%
International equities	14	6.35
Private Equity	10	7.50
Real estate	10	5.55
Absolute return strategies	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-Indexed bonds	<u>4</u>	1.25
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2018.

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2018</u>	<u>2018</u>
Asset Class:		
Domestic equities	35%	5.9%
International equities	18	7.4
Real estate	11	4.3
Private equities	8	9.0
Total equities	<u>72</u>	
Domestic fixed income securities	16	1.6
Global fixed income securities	2	1.3
High-yield fixed income securities	1	3.9
Mortgages	8	2.8
Short-term	1	0.6
Total fixed income	<u>28</u>	
Total	<u>100%</u>	

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

DISCOUNT RATE

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

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2018 calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.25% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.25% for TRS) than the current rate :

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate Share of the net Pension asset (liability)	\$ (3,795,103)	\$ (501,582)	\$2,284,605
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate Share of the net Pension asset (liability)	\$ (11,705,760)	\$ 679,499	\$ 11,051,539

PENSION PLAN FIDUCIARY NET POSITION

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

	(Dollars in Thousands)		
	ERS	TRS	Total
Valuation date	March 31, 2017	June 30, 2016	
Employers' total pension	\$ (501,582)	\$ 679,499	\$ 177,917
Plan Net Position	\$ -	\$ -	\$ -
Employers' net pension	\$ (501,582)	\$ 679,499	\$ 177,917

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$195,785.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$1,531,248.

Note 12 – Interfund transactions – governmental funds:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 2,415,517	\$ 186,412	\$ 600,000	\$ 157,872
Capital Projects Fund	1,380,432	0	100,000	0
School Lunch Fund	125,280	0	0	0
Special Aid Fund	0	3,541,790	57,872	0
Total government activities	<u>3,921,229</u>	<u>3,728,202</u>	<u>757,872</u>	<u>157,872</u>
Debt Service Fund	0	197,421	0	600,000
Fiduciary Aid Fund	<u>4,394</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 3,925,623</u>	<u>\$ 3,925,623</u>	<u>\$ 757,872</u>	<u>\$ 757,872</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 reimburse the Special Aid Fund for expenditures associated with summer school tuition and transportation.

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

Note 13a – Postemployment (health insurance) Benefits/ Prior period adjustment

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State

Hudson Falls Central School District

Notes to Financial Statements

For the Year Ended June 30, 2018

Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

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

Inactive employees or beneficiaries currently receiving benefit payments	199
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	375
	<u>574</u>

B. Total OPEB Liability

The District's total OPEB liability of \$43,776,433 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Inflation	2.20%
Salary Increases	3.20%-10.47%
Discount Rate	3.87%
Healthcare Cost Trend Rates	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078
Retirees' Share of Benefit-Related Costs	50.00%, average

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

Mortality rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 44,368,538
<u>Changes for the Year-</u>	
Service Cost	1,533,561
Interest	1,562,093
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	(2,218,427)
Benefit payments	(1,469,332)
Net Changes	<u>(592,105)</u>
Balance at June 30, 2018	\$ <u>43,776,433</u>

Changes of benefit terms reflect.

Changes of assumptions and other inputs reflect a change in the discount rate from 5.00% in 2017 to 3.87% in 2018.

Sensitivity of the Total OPEB liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	Discount Rate		
	1% Decrease 2.87%	Current 3.87%	1% Increase 4.87%
Total OPEB Liability	\$ <u>37,539,807</u>	\$ <u>43,776,433</u>	\$ <u>53,335,007</u>

Sensitivity of the Total OPEB Liability to Change in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current healthcare cost trend rate:

Health Care Trend Cost	Discount Rate		
	1% Increase 4.87%	Current 3.87%	1% Decrease 2.87%
1% Decrease	N/A	37,007,385	N/A
Current	37,539,807	43,776,433	53,335,007
1% Increase	N/A	54,178,009	N/A

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

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

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$2,840,356. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 0
Changes of assumptions or other inputs	0	(1,963,129)
Contributions subsequent to the measurement period	0	0
Total	\$ 0	\$ (1,963,129)

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

<u>Fiscal Year Ending June 30, 2018</u>	<u>Amount</u>
2019	\$ (255,298)
2020	(255,298)
2021	(255,298)
2022	(255,298)
2023	(255,298)
Thereafter	(686,639)
	<u>\$ (1,963,129)</u>

Note 14 – Risk management:

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.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Consortiums and Self Insured Plans

The District participates in Washington Saratoga Warren Hamilton Essex Counties BOCES, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$0.

Note 15 – Contingencies and commitments:

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

Note 16 – Lease obligations (operating leases):

The District had no lease obligations for the year ended June 30, 2018.

Note 17 – Donor-restricted endowments:

The District had no donor-restricted endowments for the year ended June 30, 2018.

Note 18 – On-behalf-of payments:

The District had no on-behalf-of payments for the year ended June 30, 2018.

Note 19 – Tax abatements:

The County of Warren and Washington, enter into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced. The District received payment in Lieu of Tax (PILOT) payment totaling \$104,967.

Note 20 – Overpayments:

The District had no overpayments for the year ended June 30, 2018.

Hudson Falls Central School District
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 21 – Related party transactions:

The District has no related party transactions to disclose.

Note 22 – Discretely presented component units:

The District has no component units.

Note 23 – Derivatives not reported at fair value on the Statement of Net Position:

The District has no derivatives to report.

Note 24- Impairment losses and insurance recoveries:

The District had no impairment losses or insurance recoveries for the year ended June 30, 2018.

Note 25- Subsequent events:

The District has no subsequent events to disclose.

Note 26- Real Estate held by an investments by endowments:

The district has no real estate held by an endowment.

Note 27 – Prior Period Adjustments:

For the fiscal year ending June 30, 2018, the District implemented GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The implementation of Statement No. 75 resulted in a prior period adjustment of \$21,956,108.

Hudson Falls Central School
Schedule of Funding Progress - Other Post Employment Benefits
For the Year Ended June 30, 2018

	<u>2018</u>
Measurement Date	July, 1 2017
Total OPEB Liability	43,776,433
Service Cost	\$ 1,533,561
Interest	1,562,093
Changes in benefit terms	-
Difference between expected and actual experience in the measurement of the total OPEB liability	-
Changes of assumptions or other inputs	(2,218,427)
Benefit payments	<u>(1,469,332)</u>
Net Change in total OPEB liability	(592,105)
Total OPEB liability - beginning	<u>44,368,538</u>
Total OPEB liability - ending	<u><u>\$ 43,776,433</u></u>
Covered payroll	<u><u>\$ 20,259,219</u></u>
Total OPEB liability as a percentage of covered payroll	216.08%

Hudson Falls Central School
Required Supplementary Information

Supplementary Schedule #2

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
REVENUES					
Local Sources					
Real property taxes	12,005,984	12,005,984	12,007,867	\$	1,883
Other tax items	75,000	75,000	107,006		32,006
Nonproperty taxes					0
Charges for services	35,000	35,000	178,570		143,570
Use of money and property	20,000	20,000	70,271		50,271
Sale of property and compensation for loss	0	0	2,827		2,827
Miscellaneous	1,118,736	1,118,736	971,118		(147,618)
Interfund revenues	0	0			0
Total Local Sources	13,264,720	13,264,720	13,337,659		82,939
State Sources	29,530,523	29,530,523	29,456,181		(74,342)
Medicaid Reimbursement					0
Federal Sources	300,000	300,000	280,779		(19,221)
Retirement System Credits					0
Total Revenues	43,085,243	43,085,243	43,074,619		(10,624)
OTHER FINANCING SOURCES					
Transfers from other funds	600,000	600,000	600,000		0
Designated Fund Balance and Encumbrances					
Carried Forward From Prior Year	411,169	432,542	0		(432,542)
Appropriated reserves	300,000	300,000	0		(300,000)
Total Reserves and other financing sources	1,311,169	1,332,542	600,000		(732,542)
Total Revenues and other financing source \$	44,396,412	44,417,785	43,674,619	\$	(743,166)
EXPENDITURES					
General Support					
Board of education	14,612	13,562	10,658	0	\$ 2,904
Central administration	210,195	213,245	213,067	0	178
Finance	374,065	372,065	359,780	0	12,285
Staff	116,900	120,900	110,114	0	10,786
Central services	2,775,935	2,777,033	2,474,588	7,895	294,550
Special items	553,186	562,311	558,785	0	3,526
Total General Support	4,044,893	4,059,116	3,726,992	7,895	324,229
Instruction					
Instruction, administration and improvement	1,324,424	1,605,134	1,599,253	199	5,682
Teaching - regular school	10,180,291	10,032,568	10,019,242	0	13,326
Programs for children with handicapping conditions	6,493,540	6,225,482	6,006,750	0	218,732
Occupational education					0
Teaching - special school	319,784	939,784	936,369	0	3,415
Instructional media	1,491,769	1,481,331	1,436,813	0	44,518
Pupil services	1,555,578	1,649,237	1,615,662	0	33,575
Total Instructional	21,366,386	21,933,536	21,614,089	199	319,248
Pupil Transportation	1,655,740	1,963,740	1,932,852	0	30,888
Community Services					0
Employee Benefits	11,260,583	10,392,583	10,389,353	0	3,230
Debt Service	5,908,810	5,908,810	5,908,289	0	521
Reserve expenditures			0		0
Total Expenditures	44,235,412	44,257,785	43,571,575	8,094	678,116
OTHER FINANCING USES					
Transfers to other funds	160,000	160,000	157,872	0	2,128
Total Expenditures and Other Uses	44,396,412	44,417,785	43,729,447	8,094	680,244
Net change in fund balances	0	0	(54,828)		
Fund Balance - beginning			3,505,420		
Fund Balance - ending			\$ 3,450,592		

Hudson Falls Central School
Schedule of Change from Adopted Budget to Final Budget
And the Real Property Tax Limit
For the Year Ended June 30, 2018

Supplementary Schedule #3

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 44,396,412
Add: Prior year's encumbrances	<u>21,373</u>
Original Budget	44,417,785
Budget Revisions -Fund Balance	<u> </u>
Final Budget	<u><u>\$ 44,417,785</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 Voter-Approved Expenditure Budget	\$ 44,319,936	
Maximum Allowed (4% of 2018-2019 budget)		<u><u>\$ 1,772,797</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Comitted Fund Balance		
Assigned Fund Balance	358,094	
Unassigned Fund Balance	<u>1,577,934</u>	
Total Unrestricted Fund Balance	<u>1,936,028</u>	
Less:		
Appropriated Fund Balance	350,000	
Appropriated To Reserves		
Encumbrances included in Committed and Assigned Fund		
	<u>8,094</u>	
Total Adjustments	<u>358,094</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 1,577,934</u></u>
Actual Percentage		3.5603%

Hudson Falls Central School
Schedule of Project Expenditures-Capital Projects Fund
For the Year Ended June 30, 2018

Supplementary Schedule # 4

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2018
			Prior Year's	Current Year	Total			State Aid	Local Sources	Total	
SMART SCHOOLS BOND ACT District-Wide Expansion & Renovation (HP 5)	1,302,831	1,302,831	736,357	521,546	1,257,904	44,927	-	1,233,588		1,233,588	(24,316)
	20,074,000	20,074,000	19,805,901	-	19,805,901	268,099	20,074,000		100,000	20,174,000	368,099
EXCEL PROJECT (HPE)	18,766,000	18,766,000	18,043,558		18,043,558	722,442	17,992,951			17,992,951	(50,607)
EXCEL 2 PROJECT(H2E)	11,769,000	11,769,000	12,418,422	17,710	12,436,132	(667,132)	11,769,000	625,498	100,000	12,494,498	58,366
	<u>51,911,831</u>	<u>51,911,831</u>	<u>51,004,238</u>	<u>539,256</u>	<u>51,543,495</u>	<u>368,336</u>	<u>49,835,951</u>	<u>1,859,086</u>	<u>200,000</u>	<u>51,895,037</u>	<u>351,542</u>
BUS INTEREST INCOME BANS OUTSTANDING PRIOR YEAR PROJECTS PRIOR BUSES	365,000	365,000	-	170,692	170,692	194,308	365,000			365,000	194,308 18,013 - 115,619 (177,599)
	<u>365,000</u>	<u>365,000</u>	<u>-</u>	<u>170,692</u>	<u>170,692</u>	<u>194,308</u>	<u>365,000</u>	<u>-</u>	<u>-</u>	<u>365,000</u>	<u>150,341</u>
Totals	<u><u>52,276,831</u></u>	<u><u>52,276,831</u></u>	<u><u>51,004,238</u></u>	<u><u>709,948</u></u>	<u><u>51,714,187</u></u>	<u><u>562,644</u></u>	<u><u>50,200,951</u></u>	<u><u>1,859,086</u></u>	<u><u>200,000</u></u>	<u><u>52,260,037</u></u>	<u><u>501,883</u></u>

Hudson Falls Central School
Combined Balance Sheet - Non-Major Governmental Funds
June 30, 2018

Supplementary Schedule #5

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Assets:			
Cash			
Unrestricted	\$ 1,556,550	\$ 225,657	\$ 1,782,207
Restricted			
Investments			
Unrestricted			
Restricted			
Receivables			
Taxes			
Due From Other Funds		125,280	125,280
Due from fiduciary funds			
State and Federal Aid	1,986,330	69,531	2,055,861
Due from Other Governments			
Other		4,497	4,497
Inventories		47,318	47,318
Deferred Expenditures			
 Total Assets	 \$ 3,542,880	 \$ 472,283	 \$ 4,015,163
Liabilities:			
Payables			
Accounts Payable	\$	\$	\$
Accrued Liabilities			
Due to Other Funds	3,541,790		3,541,790
Due to fiduciary funds			
Due to Other Governments		279	279
Retainage payable			
Due to NYSTRS			
Due to NYSERS			
Judgments and Claims payable			
Bond Interest and matured bonds			
Notes payable			
Tax Anticipation			
Revenue Anticipation			
Bond Anticipation			
Deferred Credits			
Overpayments and collections in advance		8,860	
Deferred Revenues	1,090		1,090
Other Liabilities			0
 Total Liabilities	 3,542,880	 9,139	 3,552,019
Fund Balances:			
Reserved for Encumbrances		64,211	64,211
Reserve for Inventories		47,318	47,318
Unreserved - Designated for Subsequent Rounding			
Unreserved - Undesignated		351,615	351,615
 Total Fund Balance		 463,144	 463,144
 Total Liabilities and Fund Balance	 \$ 3,542,880	 \$ 472,283	 \$ 4,015,163

Hudson Falls Central School Supplementary Schedule #6
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Revenues:			
Charges for Services	\$	\$	\$
Use of Money and Property		151	151
Sale of property and compensation for loss			
Interfund revenue			
State Sources	514,697	26,265	540,962
Medicaid reimbursement			
Federal Sources	1,662,917	946,192	2,609,109
Surplus food		90,413	90,413
Sales - school lunch		120,867	120,867
Miscellaneous		2,803	2,803
Total Revenues	2,177,614	1,186,691	3,364,305
Expenditures:			
General Support	488,631	443,143	931,774
Instruction	1,545,070		1,545,070
Pupil Transportation			
Community Services			
Employee Benefits	201,785	241,407	443,192
Debt service			
Principal			
Interest			
Cost of Sales		482,729	482,729
Other Expenditures		75,768	75,768
Capital Outlay			
Total Expenditures	2,235,486	1,243,047	3,478,533
Excess (Deficiency) Revenues Over Expenditures	(57,872)	(56,356)	(114,228)
Other financing sources and uses			
Proceeds from debt			
Operating Transfers In	57,872		57,872
Operating Transfers Out			
Total other sources (uses)	57,872		57,872
Excess (deficiency) revenues and other sources over expenditures and other uses		(56,356)	(56,356)
Fund Balance, Beginning of Year		519,500	519,500
Fund Balance, End of Year	\$	\$ 463,144	\$ 463,144

Hudson Falls Central School
Investments in Capital Assets, Net of Related Debt
For the Year Ended June 30, 2018

Supplementary Schedule #7

Capital Assets, net		\$ <u>28,671,992</u>
Add:		
Unamortized bond issuance costs	<u> </u>	
Discount on bonds payable	<u> </u>	
Other(list)	<u> </u>	
Deduct:		
Bond anticipation notes	<u> </u>	
Premium on bonds payable	<u> </u>	
Short-term portion of bonds payable	<u>3,925,000</u>	
Long-term portion of bonds payable	<u>20,380,000</u>	
Less: unspent bond preceeds	<u> </u>	
Short-term portion of capital leases	<u> </u>	
Long-term portion of capital leases	<u> </u>	
Other short of long-term debt related to capital assets	<u> </u>	
Other (list)	<u> </u>	<u>24,305,000</u>
Investment in capital assets, net of related debt		\$ <u><u>4,366,992</u></u>

**Hudson Falls Central School
Schedule of District Contributions
For the year ended June 30, 2018**

Teachers' Retirement System

	<u>2018</u>
Contractually required contribution	1,660,295
Contributions in relation to the contractually required contributions	<u>1,660,295</u>
Contribution deficiency (excess)	<u><u>-</u></u>
District's covered payroll	<u>16,941,786</u>
Contributions as a percentage of covered-employee payroll	<u>9.80%</u>

Employees' Retirement System

	<u>2018</u>
Contractually required contribution	635,143
Contributions in relation to the contractually required contributions	<u>635,143</u>
Contribution deficiency (excess)	<u><u>-</u></u>
District's covered payroll	<u>4,518,242</u>
Contributions as a percentage of covered payroll	<u>14.06%</u>

Hudson Falls Central School
Schedule of District's Proportionate Share of the Net Pension Liability
For the year ended June 30, 2018

Teachers' Retirement System

	<u>2018</u>
District's proportion of the net pension liability	0.0893960%
District's proportionate share of the net pension asset (liability)	679,499
District's covered payroll	16,941,786
District's proportionate share of the net pension liability as a percentage of its covered payroll	4.01%
Plan fiduciary net position as a percentage of the total pension liability	100.00%

Employees' Retirement System

	<u>2018</u>
District's proportion of the net pension liability	0.0155411%
District's proportionate share of the net pension asset (liability)	(501,582)
District's covered payroll	4,518,242
District's proportionate share of the net pension liability as a percentage of its covered payroll	11.10%
Plan fiduciary net position as a percentage of the total pension liability	100.00%

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The Board of Education
Hudson Falls Central School District

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities and each major fund of Hudson Falls Central School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 27, 2018.

Internal Control Over Financial Reporting

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

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 significant deficiency, or 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 limita-

tions, 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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

This report is intended solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 27, 2018

FOR THE FIRM

Jeff J. Beecher CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Hudson Falls Central School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hudson Falls Central School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. Misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and not designed to identify all deficiencies in internal control over compliance that be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

For The Firm



September 27, 2018

Hudson Falls Central School
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed-through NYS Education:			
Cash Assistance			
National School Lunch	10.555	N/A	\$ 732,506
National School Breakfast	10.553	N/A	193,078
After School Snack Program	10.555	N/A	20,608
U.S.D.A. Surplus Food	10.550	N/A	90,413
Total Passed-through NYS Education Department			<u>1,036,605</u> A
<u>U.S. Department of Education</u>			
Passed-through NYS Education Department:			
Special Education Cluster:			
IDEA PART B, SEC 611	84.027A	0032-18-1023	610,926
IDEA PART B, SEC 619	84.173A	0033-18-1023	16,219
IDEA PART B SEC 619	84.173A	0033-17-1023	1,003
IDEA PART B, SEC 611	84.027A	0032-17-1023	<u>4,154</u>
Total Special Education Cluster			632,302 A
TITLE 1	84.010A	0021-18-3520	577,514 A
Title IIA	84.367A	0147-18-3520	93,739
PATHWAYS IN TECH EARLY COLLEGE HS F	84.048A	8039-18-0006	359,362 A
Total Passed-through NYS Education Department			<u>1,662,917</u>
Total Federal Awards Expended			<u>\$ 2,699,522</u>

A Audited as Major Program

Hudson Falls Central School
Notes to Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2018

Note 1 - Summary of significant accounting policies:

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. Federal awards that are included in the schedule may be received directly from federal agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Note 2 – Subrecipients:

No amounts were provided to subrecipients.

Note 3 – Other Disclosures:

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

**Hudson Falls Central School
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? None Reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal Control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
ESEA, Title I, Basic Grant	84.010A
National School Lunch	10.555
National School Breakfast	10.553
USDA Surplus Food	10-550
After School Snack Program	10.555
IDEA Part B, Sec 611	84.027A
IDEA Part B, Sec 619	84.173A
PATHWAYS IN TECH EARLY COLLEGE HS F	84.048A

**Hudson Falls Central School
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low risk?	Yes

Section II – Financial Statement Findings

None noted in 2018.

Section III – Federal Findings

None noted in 2018.

**Hudson Falls Central School
Schedule of Findings and Questioned Costs
From 2017 Report**

No findings from 2017 report.

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Hudson Falls Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the Hudson Falls Central School District Extraclassroom Activity Funds which comprise the cash and fund balances resulting from cash transactions, and the related statement of cash receipts and cash disbursements as of June 30, 2018 of the Hudson Falls Central School District's Extraclassroom Activity Funds for the year ended June 30, 2018, and the related notes 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 receipts and cash disbursements method, an Other Comprehensive 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 error or fraud.

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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 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.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash and fund balances resulting from cash transactions of the Extraclassroom Activity Funds, of the Hudson Falls Central School District for the year ended June 30, 2018, and the cash receipts and cash disbursements for the year then ended, on the basis of accounting described in Note 1.

September 27, 2018

FOR THE FIRM
Jeffrey J. Beecher, CPA

HUDSON FALLS CENTRAL SCHOOL
Extraclassroom Activity Funds
Cash Receipts and Cash Disbursements
June 30, 2018

Activities	Balance June 30, 2017	Receipts	Disbursements	Balance June 30, 2018
Athletic Association	\$ 2,653.01	\$ 2,750.00	\$ 3,979.07	\$ 1,423.94
Band	1,896.02	400.00	231.72	2,064.30
Baseball	89.49	321.00	100.00	310.49
Basketball	1,190.68	24,542.77	21,098.20	4,635.25
Boys Soccer	438.10	886.00	0.00	1,324.10
Cap and Gown	6,059.55	4,836.24	2,075.19	8,820.60
Character Education	2,267.11	2,577.27	1,566.21	3,278.17
Choralier Club	1,332.23	4,280.00	2,100.59	3,511.64
Class of 2017	1.89	0.00	1.89	0.00
Class of 2018	6,206.18	11,559.00	15,381.82	2,383.36
Class of 2019	8,065.46	23,163.22	20,771.96	10,456.72
Class of 2020	3,407.01	3,641.32	1,594.70	5,453.63
Class of 2021	0.00	4,469.54	2,019.11	2,450.43
Clay Shooting Club	0.00	1,161.00	0.00	1,161.00
Drama Club	16,536.79	17,999.10	17,490.34	17,045.55
French Club	203.17	61,407.00	61,606.94	3.23
General Althetics	1,529.25	2,563.50	983.89	3,108.86
Girls Basketball	324.65	9,805.00	6,445.23	3,684.42
Cheerleaders	60.56	787.03	665.10	182.49
Girls Tennis	90.00	207.00	54.77	242.23
Golf	192.00	90.00	0.00	282.00
Hermes	7,517.66	5,080.61	11,472.21	1,126.06
HOPE	3,306.32	0.00	0.00	3,306.32
Key Club	0.00	271.00	0.00	271.00
MS Backpack	290.00	2,405.14	1,811.81	883.33
Middle School Student Council	4,820.18	22,039.01	24,285.76	2,573.43
National Honors Society	1,783.92	4,531.77	4,860.34	1,455.35
Outdoors Club	1,175.31	0.00	535.00	640.31
Orchestra	484.44	1,548.00	1,795.06	237.38
Prizes and Awards	26.00	25,125.00	25,125.00	26.00
Roots and Shoots	1,230.23	84.86	143.05	1,172.04
SADD Sr. High School	27.51	0.00	0.00	27.51
Sales Tax	1,206.19	4,771.21	4,574.77	1,402.63
Senior High School Student Council	8,965.41	8,059.66	9,148.30	7,876.77
Spanish Club	259.58	2,086.75	2,094.21	252.12
Service Club	301.73	677.10	841.47	137.36
Swim Club	0.00	230.00	0.00	230.00
6th Grade	889.26	2,517.57	2,194.91	1,211.92
Team MS 7	2,276.09	2,004.96	2,386.71	1,894.34
Team 7 & 8	1,112.03	2,224.38	2,814.21	522.20
Team 8	643.28	4,451.78	3,393.51	1,701.55
Track and Field	2,722.69	4,128.93	3,066.62	3,785.00
Volleyball	0.00	8,471.61	8,469.06	2.55
Wrestling	4,510.68	3,809.92	5,492.55	2,828.05
Totals	\$ 96,091.66	\$ 281,965.25	\$ 272,671.28	\$ 105,385.63

Hudson Falls Central School
Extraclassroom Activity Funds
Note to Financial Statement
June 30, 2018

Note 1: Summary of Significant Accounting Policies

The transactions of the extraclassroom activity funds are not considered part of the reporting entity of the Hudson Falls Central School. Consequently, such transactions are not included in the combined financial statements of the school district.

The accounts of the Extraclassroom Activity Fund of the Hudson Falls Central School are maintained on a cash basis, and the statement 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 statement.

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REPORT TO THE BOARD

The Board of Education
Hudson Falls Central School District

We have audited the financial statements of Hudson Falls Central School District (the "District") for the year ended June 30, 2018, and have issued our report thereon dated September 27, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Accounting Principles Generally Accepted in the United States of America, Government Auditing Standards, and Uniform Guidance

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Compliance Supplement.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, 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. Also, in accordance with OMB Compliance Supplement, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform

Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide legal determination on the District's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. For the fiscal year ending June 30, 2018, the District implemented GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The implementation of Statement No. 75 resulted in a prior period adjustment of \$21,956,108. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was Management's estimate of depreciation expense, which is based on the estimated useful lives of the District's capital assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). All proposed adjustments were recorded by the business office staff prior to completion of the audit.

There were no unrecorded proposed adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditor

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

Comments and Recommendations

Extraclassroom Activity Funds Audit

We completed our audit of the Extraclassroom Activity Funds as required under Section 172.3(d) of the Regulations of the Commissioner of Education. We have prepared a separate report on this audit, which is bound with the District's annual report. We had the following findings:

Our findings indicated that two clubs were inactive throughout the year. If the clubs are to remain inactive, we recommend that those funds be redistributed to other clubs as directed by the Board of Education.

Federal Single Audit Requirement

We completed the annual audit of the federally funded programs as required by the Single Audit Act and OMB Compliance Supplement (Uniform Guidance). We have prepared separate reports on this audit which are bound with the district's annual report. We had no findings on noncompliance.

FOR THE FIRM

Jeffrey Beecher CRA

September 27, 2018