

HADLEY-LUZERNE CENTRAL SCHOOL

Financial Statements and Independent Auditor's Report

June 30, 2019

HADLEY LUZERNE CENTRAL SCHOOL

June 30, 2019

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Statement Number	<u>District - Wide Financial Statements</u>
1	Statement of Net Positions 12
2	Statement of Activities and Changes in Net Positions 13
3	Balance Sheet - Governmental Funds 14
4	Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Positions 15
5	Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds 16
6	Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities 17
7-8	Statement of Fiduciary Net Positions - Fiduciary Funds 18
Supplemental Schedule Number	
SS1	Schedule of Funding Progress Other Post Employment Benefits Plan 19
SS2	Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual- General Fund 20
SS3	Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit 21
SS4	Schedule of Project Expenditures- Capital Projects Fund 22
SS5	Combined Balance Sheet - Non-Major Governmental Funds 23
SS6	Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds 24
SS7	Investment in Capital Assets, Net of Related Debt 25
SS8	Schedule of District Contributions 26
SS9	Schedule of District's Proportionate Share of the Net Pension Liability 27
Notes to Financial Statements	28-63

HADLEY LUZERNE CENTRAL SCHOOL

June 30, 2019

Table of Contents (continued)

Federal Assistance Programs

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	64-65
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Extraclassroom Activity Funds

Independent Auditor's Report	66
Statement of Cash Receipts and Disbursements	67
Notes to Financial Statements	68
Report to the Board	69-71

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Hadley-Luzerne Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund. And the aggregated remaining fund information of Hadley-Luzerne Central School (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund and the aggregate remaining fund information of Hadley-Luzerne Central School as of June 30, 2019, 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, budgetary comparison information and schedules of funding progress – other post-employment benefits, contributions, schedule of proportionate share of the net pension liability (asset), and schedule of contributions – pension plans to 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.

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 supplemental information described in the table of contents as required by New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information included has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express any 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 October 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. 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.

The Hadley-Luzerne Central School expended \$668,134 in Federal Awards. Therefore, the School District had no major programs subject to OMB audit requirements.

October 10, 2019

Jenkins, Becker + Bethel LLP

**Hadley-Luzerne Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

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

FINANCIAL HIGHLIGHTS

- The District has continued to offer all programs & services while maintaining the maximum fund balances allowed by state law.
- The District's expenditures increased by 26.65% as a result of an increase in general support, instructional expenses and transportation expenditures.
- The District's revenues increased by 1.97% as a result of increased state aid, property taxes, and miscellaneous revenues.
- The District's student enrollment for the 2018-2019 school year was 658.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on *individual* parts of the District, reporting the District's operations in *more detail* than the District-wide statements. The fund financial statements concentrate on the 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 District acts solely as a *trustee* or *agent* for the benefit of others.

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

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

Figure A-1 Major Features of the District-Wide and Fund Financial Statements			
	District-Wide	Fund Financial Statements	
		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 positions • 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 positions • Statement of changes in fiduciary net positions
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/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net positions includes all of the District's assets and liabilities. All of the

current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Figure A-2 shows a two-year analysis of the District's net positions.

Condensed Statement of Net Positions

	Governmental Activities And Total School District		Percentage Change
	2018	2019	2018-2019
Current and Other Assets	\$ 7,292,074	\$ 13,432,731	84%
Capital Assets	9,503,467	9,265,462	-3%
Deferred Outflows of Resources	4,684,730	21,409,384	357%
Total Assets	<u>21,480,271</u>	<u>44,107,577</u>	<u>105%</u>
Long-Term Debt Outstanding	38,985,412	46,805,415	20%
Other Liabilities	1,214,625	11,287,132	829%
Total Liabilities	<u>40,200,037</u>	<u>58,092,547</u>	<u>45%</u>
Deferred Inflows of Resources	1,392,226	11,501,435	726%
Deferred Revenue	2,967	-	-100%
Total Liabilities & Deferred Inflows of Resources	<u>41,595,230</u>	<u>69,593,982</u>	<u>67%</u>
Net Positions			
Invested in Capital Assets, Net of Related Debt	4,814,792	(2,285,730)	-147%
Restricted	2,872,045	3,310,724	15%
Unrestricted	(27,801,796)	(26,511,399)	-5%
Total Net Positions	<u>\$ (20,114,959)</u>	<u>\$ (25,486,405)</u>	<u>27%</u>

Changes in Net Positions

The District's fiscal year 2019 revenues totaled \$21.5 million. Property taxes and state formula aid accounted for most of the District's revenue by contributing 51.11% and 40.24% respectively, of every dollar earned. The remainder came from fees charged for services, operation grants and other miscellaneous sources. These revenues are shown in table 3.

The District's fiscal year 2019 expenditures totaled \$26.87 million. The expense for instructional support and employee benefits accounted for most of the District's expenditures by 52.34% and 30.62% respectively, of every dollar expensed. These expenses are shown in table 3.

Figure A-3 shows a two-year analysis of the Districts revenues and expenditures for the 2018 and 2019 school years.

Changes in Net Positions from Operating Results

	Governmental and Total School District		Percentage Change
	2018	2019	2018-2019
Revenues			
Program Revenue			
Charges for Services	\$ 161,523	\$ 207,868	28.69%
Operating Grants and Contributions	813,389	794,289	-2.35%
Capital Grants Contributions	-	-	0.00%
General Revenues			
Property Taxes	10,895,739	10,990,469	0.87%
State Formula Aid	8,605,647	8,652,759	0.55%
Federal Aid	121,905	161,680	32.63%
Use of Money and Property	87,389	153,105	75.20%
Miscellaneous	401,510	541,538	34.88%
Total Revenues	\$ 21,087,082	\$ 21,501,708	1.97%
Expenses			
General Support	\$ 2,359,295	\$ 2,495,443	5.77%
Instruction	11,182,868	14,066,693	25.79%
Transportation	951,285	1,031,029	8.38%
Employee Benefits	5,770,411	8,229,831	42.62%
Debt Service - Interest	148,660	121,601	-18.20%
Depreciation	458,826	535,456	16.70%
School Lunch Program	347,538	393,107	13.11%
Other	-	-	0.00%
Total Expenses	21,218,883	26,873,160	26.65%
Increase in Net Positions	\$ (131,801)	\$ (5,371,452)	3975.43%

Note: Totals may not add due to rounding.

Chart 1 and Chart 2 visually depict the revenues and expenses for the 2018-2019 year.

Chart 1

Sources of Revenues for Fiscal Year 2019

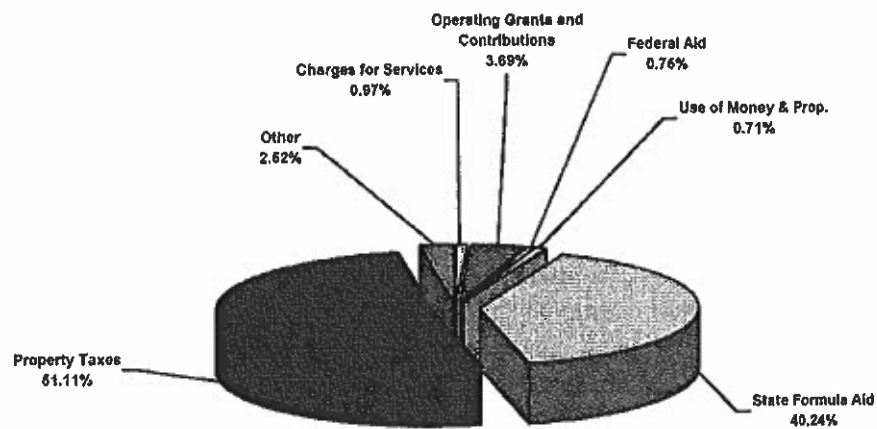
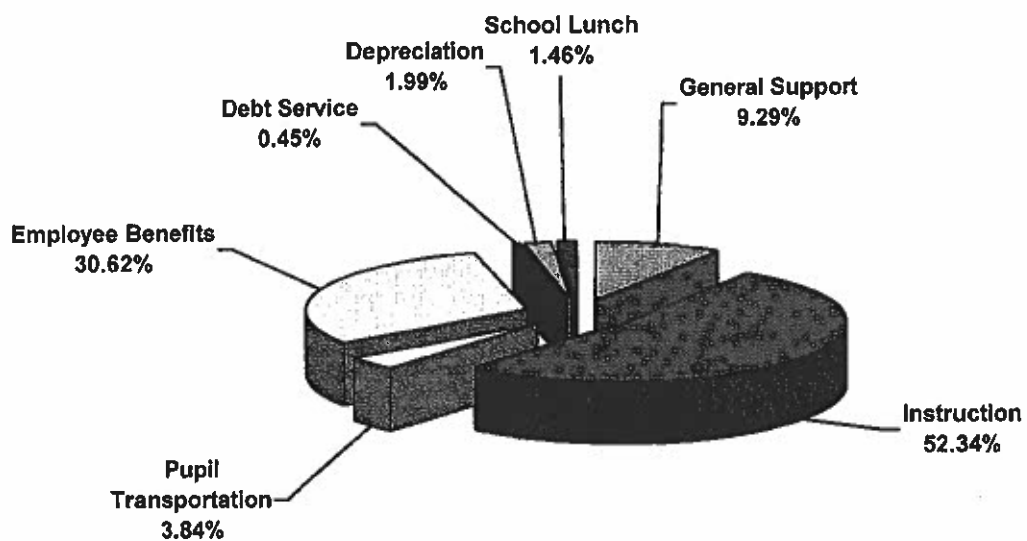


Chart 2

Expenses for Fiscal Year 2019



Governmental Activities

Figure A-4

The table below presents the cost of seven major districts 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.

Figure A-4

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2018	2019	2018-2019	2018	2019	2018-2019
General Support \$	2,359,295	\$ 2,495,443	5.8%	\$ 2,359,295	\$ 2,495,443	5.8%
Instruction	11,182,868	14,066,693	25.8%	10,547,588	13,403,937	27.1%
Pupil						
Transportation	951,285	1,031,029	8.4%	951,258	1,031,029	8.4%
Employee						
Benefits	5,770,411	8,229,831	42.6%	5,770,411	8,229,831	42.6%
Debt Service –						
Interest	148,680	121,601	-18.2%	148,680	121,601	-18.2%
Depreciation	458,826	535,456	16.7%	458,826	535,456	16.7%
School Lunch						
Program	347,538	393,107	13.1%	7,926	53,706	577.6%
Other	0	0	0.0%	0	0	0.0%
Total	\$ 21,218,883	\$ 26,873,160	26.6%	\$ 20,243,964	\$ 25,871,003	27.8%

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.

The District currently has \$8,982,411 outstanding in Bond Anticipation Notes (BAN) or Bonds.

No other significant variances are reflected in the governmental fund financial statements for 2019.

General Fund – The general funds, fund balance increased by \$144,790 as shown in statement #5.

School Lunch Funds – The school lunch fund balance decreased by \$32,722 as shown in statement #5.

Capital Projects Fund – The capital projects fund, fund balance decreased by \$1,206,683 as shown in statement #5.

General Fund Budgetary Highlights

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. 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	\$ 21,483,701
*Budget revisions	260,616
June 30, 2018 carryover encumbrances	<u>107,380</u>
Revised budget	\$ 21,851,697
Actual 2019 expenditures (see SS #2)	<u>20,396,853</u>
Total expenditures under budget	<u>\$ 1,454,844</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of fiscal year 2019, the District had invested \$9,265,462, net of accumulated depreciation, in a broad range of capital assets.

Capital Assets (Net of Depreciation)

	Governmental Activities And Total School District		Percentage Change
	2018	2019	2018-2019
Land	\$ 1,352,485	\$ 1,352,486	0.00%
Buildings	6,695,892	6,294,962	-5.99%
Equipment and Furniture	1,455,090	1,618,014	11.20%
Total	<u>\$ 9,503,467</u>	<u>\$ 9,265,462</u>	<u>-2.50%</u>

Long-Term Debt

As of June 30, 2019, the District had outstanding long-term liabilities of \$47,026,637. The various obligations are listed in Table 6.

	And Total School District		Change
	2018	2019	2017-2018
General Obligation Bonds	\$ 3,160,000	\$ 1,860,000	-41.14%
Bond Interest Payable	544,153	414,458	-23.83%
Other Long-Term Debt (EPC)	778,675	708,781	-8.98%
Compensated Absences	211,219	377,908	78.92%
Post Employment Benefits	33,922,257	43,665,490	28.72%
Total	<u>\$ 38,616,304</u>	<u>\$ 47,026,637</u>	<u>21.78%</u>

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, contact...

**Hadley-Luzerne Central School
Business Office
27 Hyland Dr.
Lake Luzerne, New York 12846-0200
(518) 696-2378, Ext. 1137
Fax #: (518) 696-5402**

FINANCIAL STATEMENTS

Hadley-Luzerne Central School
Statement of Net Positions
Governmental Activities
June 30, 2019

ASSETS		
Cash		
Unrestricted	\$	8,692,618
Restricted		<u>2,877,844</u>
Investments		
Unrestricted		
Restricted		
Receivables		
Taxes		
State and Federal aid		<u>613,699</u>
Due from other governments		<u>380,229</u>
Due from fiduciary funds		<u>57,724</u>
Other		<u>43,193</u>
Inventories		<u>9,344</u>
Prepaid expenditures		
Net Pension Asset, Proportionate Share		<u>758,080</u>
Capital assets, net		<u>9,265,462</u>
	Total Assets	<u>22,698,193</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other post employment benefits		<u>17,030,153</u>
Pensions		<u>4,379,231</u>
	Total Deferred Outflows of Resources	<u>21,409,384</u>
	Total Assets & Deferred Outflows of Resources	<u>\$ 44,107,577</u>
LIABILITIES		
Payables		
Accounts payable	\$	1,107,180
Accrued liabilities		<u>163,129</u>
Due to other governments		<u>390</u>
Due to fiduciary funds		
Due to teachers' retirement		<u>780,267</u>
Due to employees' retirement		<u>67,585</u>
Retainage payable		
Notes payable		
Tax anticipation		
Revenue anticipation		
Bond anticipation		<u>8,982,411</u>
Unearned credits		
Overpayments and collections in advance		
Unearned revenues-other		<u>1,170</u>
Long-term liabilities		
Due and payable within one year		
Bonds payable		<u>185,000</u>
BANKs refinanced on a long-term basis		
Installment purchase debt payable		
Due to teachers' retirement		
Due to employees' retirement		
Compensated absences		
Other Postemployment benefits payable		
Bond interest		
Due and payable after one year		
Due and payable after one year		
Bonds payable		<u>1,675,000</u>
Installment purchase debt payable		<u>708,781</u>
Due to teachers' retirement		
Due to employees' retirement		
Compensated absences		<u>377,908</u>
Other Postemployment benefits payable		<u>43,665,490</u>
Net Pension Liability, Proportionate Share		<u>378,236</u>
Bond interest		
	Total Liabilities	<u>58,092,547</u>
Deferred Inflows of resources		
Other Postemployment benefits		<u>10,316,688</u>
Pensions		<u>1,184,747</u>
	Total Deferred Inflows of Resources	<u>11,501,435</u>
NET POSITIONS		
Investment in capital assets, net of related debt		<u>(2,285,730)</u>
Restricted for:		
Reserves		<u>3,310,724</u>
Unrestricted (deficit)		<u>(26,611,399)</u>
	Total Net Positions \$	<u>(25,486,405)</u>

Statement #2

**Hadley-Luzerne Central School
Statement of Activities and
and Changes in Net Positions
For the Year Ended June 30, 2019**

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Positions</u>
			<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS					
General support	\$ 2,495,443	\$	\$	\$	\$ (2,495,443)
Instruction	14,066,693		87,944	574,812	(13,403,937)
Pupil transportation	1,031,029				(1,031,029)
Community service					
Employee benefits	8,229,831				(8,229,831)
Debt service	121,601				(121,601)
Other expenses					
Depreciation - Unallocated		535,456			(535,456)
School lunch program	393,107		119,924	219,477	(53,706)
Total Functions and Programs	\$ 26,337,704	\$ 535,456	\$ 207,868	\$ 794,289	\$ (25,871,003)
GENERAL REVENUES					
Real property taxes					10,967,055
Other tax items					23,414
Nonproperty taxes					
Use of money and property					124,614
Sale of property and compensation for loss					28,491
Miscellaneous					541,538
Interfund revenue					
State sources					8,652,759
Federal sources					
Medicaid reimbursement					161,680
Total General Revenues					20,499,551
Change in Net Positions					(5,371,453)
Total Net Positions - Beginning of year as previously reported					(20,114,952)
Total Net Position - Beginning of year as Restated					(20,114,952)
Total Net Positions - End of year					\$ (25,486,405)

Hadley-Luzerne Central School
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital Project	Non-Major	Total Governmental Funds
ASSETS							
Cash	\$ 2,554,088	\$ 208,757	\$ 164,496	\$	\$ 5,765,277		\$ 8,692,618
Unrestricted Investments	2,877,844						2,877,844
Restricted Investments							
Unrestricted Receivables							
Restricted Receivables							
Taxes							
Due from other funds	1,310,363		19,774				1,330,137
Due from fiduciary funds	52,657		5,067				57,724
State and Federal aid	234,911	362,954	15,834				613,699
Due from other governments	380,229						380,229
Other	41,083		2,110				43,193
Inventories			9,344				9,344
Deferred expenditures							
Capital assets, net							
Total Assets	\$ 7,451,175	\$ 571,711	\$ 216,625	\$	\$ 5,765,277	\$	\$ 14,004,788
LIABILITIES							
Payables							
Accounts payable	189,514	63	3,489		914,114		1,107,180
Accrued liabilities	55,957	300	6,698		100,174		163,129
Due to other funds	19,774	571,348	206,815		532,200		1,330,137
Due to fiduciary funds							
Due to other governments			390				390
Retainage payable							
Due to Teachers' Retirement System	780,267						780,267
Due to Employees' Retirement System	67,585						67,585
Judgements & claims payable							
Bond interest and matured bonds							
Notes payable							
Tax anticipation							
Revenue anticipation							
Bond anticipation					8,982,411		8,982,411
Deferred credits							
Overpayments and collections in advance							
Deferred revenues			1,170				1,170
Planned balance							
Long-term liabilities							
Due to Teachers' Retirement System							
Due to Employees' Retirement System							
Compensated absences payable							
Other postemployment benefits payable							
Judgements & claims payable							
Other liabilities							
Total Liabilities	1,113,097	571,711	218,562		10,528,899		12,432,269
FUND BALANCES							
Non-spendable							
Restricted	3,310,724		9,344				3,320,068
Committed							
Assigned	1,287,014						1,287,014
Unassigned	1,740,340		(11,281)		(4,763,622)		(3,034,563)
Total Fund Balances	6,338,078		(1,937)		(4,763,622)		1,572,519
Total Liabilities and Fund Balances	\$ 7,451,175	\$ 571,711	\$ 216,625	\$	\$ 5,765,277	\$	\$ 14,004,788

Hadley-Luzerne Central School
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Positions
June 30, 2019

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Positions Totals
ASSETS				
Cash	\$ 11,570,462			\$ 11,570,462
Accounts receivable	43,193			43,193
Due from other funds	1,330,137		(1,330,137)	
Due from fiduciary funds	57,724			57,724
Due from other governments	380,229			380,229
Taxes receivable (city school districts)				
State & federal aid receivable	613,699			613,699
Inventories	9,344			9,344
Net Pension Asset, Proportionate Share		758,080		758,080
Deferred Expenditures				
Mortgages receivable				
Land, buildings and equipment (net)		9,265,462		9,265,462
Total Assets	\$ 14,004,788	\$ 10,023,542	\$ (1,330,137)	\$ 22,698,193
DEFERRED OUTFLOWS OF RESOURCES				
Other post employment benefits		17,030,153		17,030,153
Pensions		4,379,231		4,379,231
Total Deferred Outflows of Resources		21,409,384		21,409,384
Total Assets & Deferred Outflows of Resources	14,004,788	31,432,926	(1,330,137)	44,107,577
LIABILITIES				
Accounts payable	\$ 1,107,180			\$ 1,107,180
Accrued liabilities	163,129			163,129
Bonds payable		1,860,000		1,860,000
Bond anticipation notes payable	8,982,411			8,982,411
Revenue anticipation notes payable				
Bond interest and matured bonds				
Due to other funds	1,330,137		(1,330,137)	
Due to fiduciary funds				
Due to other governments	390			390
Retainage payable				
Due to teachers' retirement system	780,267			780,267
Due to employees' retirement system	67,585			67,585
Installment Purchase Debt Payable		708,781		708,781
Compensated absences		377,908		377,908
Postemployment benefits		43,665,490		43,665,490
Net Pension Liability, Proportionate Share		378,236		378,236
Deferred revenues	1,170			1,170
Total Liabilities	\$ 12,432,269	\$ 46,990,415	\$ (1,330,137)	\$ 58,092,547
DEFERRED INFLOWS OF RESOURCES				
Other Post employment benefits		10,316,688		10,316,688
Pensions		1,184,747		1,184,747
Total Deferred Inflows of Resources		11,501,435		11,501,435
FUND BALANCE\NET ASSETS				
Total Fund Balance\Net Positions	1,572,519	(27,058,924)		(25,486,405)
Total Liabilities and Fund Balance\Net Posi	\$ 14,004,788	\$ 31,432,926	\$ (1,330,137)	\$ 44,107,577

Hadley-Luzerne Central School
Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 10,967,055					\$ 10,967,055
Other tax items	23,414					23,414
Nonproperty taxes						
Charges for services	87,944					87,944
Use of money and property	124,561		53			124,614
Sale of property and compensation for loss	28,491					28,491
Miscellaneous	495,740		681		45,117	541,538
Interfund revenue						
State sources	8,652,759	119,706	6,449			8,778,914
Medicaid reimbursement	161,680					161,680
Federal sources		455,105	190,585			645,692
Surplus food			22,442			22,442
Sales - school lunch			119,924			119,924
Total Revenues	20,541,644	574,812	340,135		45,117	21,501,708
EXPENDITURES						
General support	2,345,177	150,266	175,750			2,671,193
Instruction	9,807,988	441,900				10,249,888
Pupil transportation	1,031,029					1,031,029
Community service						
Employee benefits	5,168,103	3,258	42,189			5,213,550
Debt service						
Principal	1,632,094					1,632,094
Interest	121,601					121,601
Cost of sales			156,298			156,298
EPC DEBT - Principal						
EPC Interest						
Other expenditures			18,870			18,870
Capital outlay					4,114,256	4,114,256
Total Expenditures	20,105,992	595,424	393,107		4,114,256	25,208,779
Excess (Deficiency) of Revenues Over Expenditures	435,652	(20,612)	(52,972)		(4,069,139)	(3,707,071)
OTHER FINANCING SOURCES AND USES						
Proceeds from debt						
Operating transfers in		20,612	20,250		250,000	290,862
Operating transfers (out)	(290,862)					(290,862)
BAN's Redeemed from Appropriations					262,200	262,200
Reserve Expenditures						
Total Other Sources (Uses)	(290,862)	20,612	20,250		512,200	262,200
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	144,790		(32,722)		(3,556,939)	(3,444,871)
Fund Balances - Beginning of year	6,193,288	\$	\$	\$	(1,206,683)	5,017,390
Fund Balances - End of year	6,338,078	\$	(1,937)	\$	(4,763,622)	1,572,519

Hadley-Luzerne Central School
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
For the Year Ended June 30, 2019

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 10,967,055				\$ 10,967,055
Other tax items	23,414				23,414
Charges for services	87,944				87,944
Use of money and property	124,614				124,614
Sale of property and compensation for loss	28,491				28,491
Miscellaneous	541,538				541,538
Interfund revenue					
State sources	8,778,914				8,778,914
Medicaid reimbursement	161,680				161,680
Federal sources	645,692				645,692
Surplus food	22,442				22,442
Sales - school lunch	119,924				119,924
Total Revenues	\$ 21,501,708				\$ 21,501,708
EXPENDITURES\EXPENSES					
General support	\$ 2,671,193				\$ 2,671,193
Instruction	10,249,888		3,816,805		14,066,693
Pupil transportation	1,031,029				1,031,029
Community service					
Employee benefits	5,213,550			3,058,470	8,272,020
Debt service	1,753,695			(1,632,094)	121,601
Cost of sales	156,298				156,298
Other expenditures	18,870				18,870
Depreciation expense - Unallocated			535,456		535,456
Capital outlay	4,114,256		(4,114,256)		
Total Expenditures	25,208,779		238,005	1,426,376	26,873,160
Excess (Deficiency) of Revenues Over Expenditures	(3,707,071)		(238,005)	(1,426,376)	(5,371,453)
OTHER SOURCES AND USES					
Proceeds from debt					
Operating transfers in	290,862			(290,862)	
Operating transfers (out)	(290,862)			290,862	
BAN's Redeemed from Appropriations	262,200			(262,200)	
Reserve Expenditures					
Total Other Sources (Uses)	262,200			(262,200)	
Net Change for the Year	\$ (3,444,871)		(238,005)	(1,688,576)	\$ (5,371,453)

Statement #7

Hadley-Luzerne Central School
Statement of Fiduciary Net Positions- Fiduciary Funds
June 30, 2019

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	N/A	\$ 173,892
Accounts receivable		1,134
Due from governmental funds		
Total Assets		\$ 175,026
LIABILITIES		
Due to governmental funds		\$
Due to other funds		57,724
Extraclassroom activity balances		45,888
Other liabilities		71,414
Total Liabilities		\$ 175,026
NET POSITIONS		
Reserved for scholarships	N/A	

Statement #8

Statement of Changes in Fiduciary Net Positions - Fiduciary Funds
For the Year Ended June 30, 2019

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	N/A
Investment earnings	
Total Additions	
DEDUCTIONS	
Scholarships and awards	
Change in Net Positions	
Net Positions - Beginning of year	
Net Positions - End of Year	N/A

HADLEY-LUZERNE CENTRAL SCHOOL
Schedule of Funding Progress - Other Post Employment Benefits
For the Year Ended June 30, 2019

Supplement Schedule # 1

	<u>2019</u>
Measurement Date	July, 1 2019
Total OPEB Liability	44,800,063
Service Cost	\$ 972,525
Interest	1,212,815
Changes in benefit terms	(5,349,391)
Difference between expected and actual experience in the measurement of the total OPEB liability	15,548,548
Changes of assumptions or other inputs	(1,202,812)
Benefit payments	<u>(1,438,452)</u>
Net Change in total OPEB liability	9,743,233
Total OPEB liability - beginning	<u>33,922,257</u>
Total OPEB liability - ending	<u>\$ 43,665,490</u>
Covered payroll	<u>\$ 9,188,547</u>
Total OPEB liability as a percentage of covered payroll	475.22%

Hadley-Luzerne Central School
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2019

	Original Budget *	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual
REVENUES					
Local Sources					
Real property taxes	\$ 10,970,032	\$ 10,970,032	\$ 10,987,986	\$	(2,977)
Other tax items	12,090	12,000	23,414		11,414
Nonproperty taxes					0
Charges for services	75,000	75,000	87,944		12,944
Use of money and property	23,000	23,000	124,581		101,581
Sale of property and compensation for loss	13,250	21,866	26,491		6,625
Miscellaneous	290,000	292,000	495,740		203,740
Interfund revenues	0		0		0
Total Local Sources	11,383,282	11,393,898	11,727,205		333,307
State Sources	8,794,087	8,794,087	8,662,759		(141,328)
Medicaid Reimbursement					0
Federal Sources	90,000	90,000	161,680		71,680
Retirement System Credits					0
Total Revenues	20,267,369	20,277,985	20,541,644		263,659
OTHER FINANCING SOURCES					
Designated Fund Balance and Encumbrances					
Carried Forward From Prior Year	1,216,332	1,323,712			
Appropriated reserves	0	250,000			
Total Reserves and other financing sources	21,483,701	21,851,697	20,541,644		
EXPENDITURES					
General Support					
Board of education	\$ 38,660	\$ 39,200	\$ 28,072	0	\$ 11,128
Central administration	179,400	184,781	184,270	0	511
Finance	298,681	309,750	305,981	680	3,069
Staff	55,100	54,122	40,950	0	13,172
Central services	1,677,510	1,772,010	1,654,228	7,789	109,993
Special items	139,526	133,929	131,666	500	1,763
Total General Support	2,389,877	2,493,792	2,345,177	8,979	139,636
Instruction					
Instruction, administration and improvement	302,208	308,865	312,789	0	(4,124)
Teaching - regular school	5,508,640	5,323,092	5,037,653	6,903	278,536
Programs for children with handicapping conditions	3,222,799	3,240,289	2,912,306	6,521	321,482
Occupational education					0
Teaching - special school	0	0	0		0
Instructional media	661,385	792,295	779,432	0	12,863
Pupil services	751,336	844,689	765,807	2,706	78,176
Total Instructional	10,444,368	10,509,030	9,807,987	16,130	684,913
Pupil Transportation	1,120,513	1,121,103	1,031,029	45,573	44,601
Community Services					0
Employee Benefits	5,706,968	5,854,787	5,168,103	0	486,884
Debt Service	1,787,985	1,787,985	1,763,696		14,290
Total Expenditures	21,428,701	21,546,697	20,105,991	70,682	1,370,024
OTHER FINANCING USES					
Transfers to other funds	55,000	305,000	290,882		14,138
Total Expenditures and Other Uses	21,483,701	21,851,697	20,396,853	70,682	1,384,162
Net change in fund balances			144,791		
Fund Balance - beginning			6,193,290		
Rounding			(3)		
Fund Balance - ending			\$ 6,338,078		

See paragraph on supplementary schedules included in auditor's report

**Hadley-Luzerne Central School
Schedule of Change from Adopted Budget to Final Budget
And The Real Property Tax Limit
For the Year Ended June 30, 2019**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted Budget	\$ 21,483,701
Add: Prior year's encumbrances	<u>107,380</u>
Original Budget	21,591,081
Budget Revision Appropriated fund balance and Reserves	<u>260,616</u>
Final Budget	\$ <u><u>21,851,697</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 Voter approved expenditure budget	\$ 21,346,689	
Maximum allowed(4% of 2019-20 budget)		\$ 853,868

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

Unrestricted fund balance:	
Committed fund balance	-
Assigned fund balance	1,287,014
Unassigned fund balance	<u>1,740,340</u>
Total unrestricted fund balance	\$ <u><u>3,027,354</u></u>

Less:

Appropriated fund balance	1,216,332
Encumbrances included in committed and assigned	<u>70,682</u>
Total adjustments	\$ <u><u>1,287,014</u></u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,740,340

Actual Percentage 8.1527 %

Hadley-Luzerne Central School
Schedule of Project Expenditures-Capital Projects Fund
For the Year Ended June 30, 2019

PROJECT TITLE	Original Appropriation	Revised Appropriation	Prior Year's	Expenditures		Total	Unexpended Balance	Methods of Financing			Fund Balance June 30, 2019
				Current Year				Proceeds of Obligations	State Aid	Local Sources	
Capital Project 17/18	\$ 8,976,606	\$ 8,976,606	\$ 1,246,253	\$ 3,722,041	\$ 4,968,294	\$ 4,008,312	\$ 8,173,406	\$	\$ 803,200	\$ 8,976,606	\$ 4,008,312
Capital Project 12/13 63080104-0001-018	2,400,000	2,400,000	2,253,377	0	2,253,377	146,623	2,355,000	43,975		2,398,975	146,698
63080104-0004-010											
63080104-6003-007											
Reconfiguration Project	720,000	720,000	661,162	0	661,162				720,000	720,000	168,838
SMART SCHOOLS BOND ACT	738,000	738,000	34,734	71,010	105,744			45,117		45,117	(66,627)
	12,834,606	12,834,606	4,085,526	3,793,061	7,878,577	4,154,935	10,528,406	89,092	1,523,200	12,140,698	4,262,121
Bus Purchases	335,000	335,000	0	321,205	321,205	13,795	321,205	0	0	321,205	0
Premium on Bond											1,899
Closed Projects											(45,231)
Bans											(8,982,411)
	335,000	335,000	0	321,205	321,205	13,795	321,205	0	0	321,205	(9,025,743)
Totals	\$ 13,169,606	\$ 13,169,606	\$ 4,085,526	\$ 4,114,266	\$ 8,199,782	\$ 4,168,730	\$ 10,849,611	\$ 89,092	\$ 1,623,200	\$ 12,481,903	\$ (4,763,622)

**Hadley-Luzerne Central School
Combined Balance Sheet-
Non-Major Governmental Funds
June 30, 2019**

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Assets			
Unrestricted Cash	\$ 208,757	\$ 164,496	\$ 373,253
Restricted Cash			0
Unrestricted Investments			0
Restricted Investments			0
State and Federal Aid Receivable	362,954	15,834	378,788
Due From Other Governments	0	0	0
Other Receivables, Net	0	2,110	2,110
Due From Other Funds	0	24,841	24,841
Inventories		9,344	9,344
Deferred Expenditures			0
Total Assets	\$ 571,711	\$ 216,625	\$ 788,336
Liabilities			
Accounts Payable	\$ 63	\$ 3,489	\$ 3,552
Accrued Liabilities	300	6,698	6,998
Due to Other Governments	0	390	390
Due to Other Funds	571,348	206,815	778,163
Due to Teachers' Retirement System			0
Due to Employees' Retirement System			0
Other Liabilities		0	0
Deferred Credits:			
Overpayments & Collections in Advance			
Deferred Revenues	0	1,170	1,170
Total Liabilities	\$ 571,711	\$ 218,562	\$ 790,273
Fund Balance			
Non-Spendable	\$	\$ 9,344	\$ 9,344
Restricted			0
Committed			0
Assigned			0
Unassigned		(11,281)	(11,281)
Total Fund Balance	\$ 0	\$ (1,937)	\$ (1,937)
Total Liabilities and Fund Balance	\$ 571,711	\$ 216,625	\$ 788,336

Hadley-Luzerne Central School
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Aid</u>	<u>School Lunch</u>	<u>Total</u>
Revenues			
Real Property Taxes	\$ _____	\$ _____	\$ _____
Use of Money and Property	_____	53	53
Sale of Property and	_____	_____	_____
Compensation for Loss	_____	_____	_____
Miscellaneous	_____	681	681
Interfund Revenues	_____	_____	_____
State Sources	119,706	6,449	126,155
Federal Sources	455,106	213,028	668,134
Sales (School Lunch)	_____	119,924	119,924
Total Revenues	\$ 574,812	\$ 340,135	914,947
Expenditures			
General Support	\$ 150,266	\$ 175,750	326,016
Instruction	441,900	_____	441,900
Pupil Transportation	_____	_____	_____
Employee Benefits	3,258	42,189	45,447
Cost of Sales	_____	156,298	156,298
Other Expenses	_____	18,870	18,870
Total Expenditures	\$ 595,424	\$ 393,107	988,531
Excess (Deficiency) Revenues			
Over Expenditures	\$ (20,612)	\$ (52,972)	(73,584)
Other Sources and Uses			
Operating Transfers In	20,612	20,250	40,862
Operating Transfers (Out)	_____	_____	_____
Reserve Revenues	_____	_____	_____
Reserve Expenditures	_____	_____	_____
Total Other Sources and Uses	\$ 20,612	\$ 20,250	40,862
Excess (Deficiency) Revenues			
and Other Sources Over			
Expenditures and Other Uses	\$ _____	\$ (32,722)	(32,722)
Fund Balance, Beginning of Year	\$ _____	\$ 30,785	30,785
Other Changes in Fund Balance			
Fund Balance, End of Year	\$ _____	\$ (1,937)	(1,937)

Supplemental Schedule #7

Hadley-Luzerne Central School
Investments in Capital Assets, Net of Related Debt
For the Year Ended June 30, 2019

Capital Assets, net		\$ 9,265,462
Add:		
Unamortized bond issuance costs	\$ _____	
Discount on bonds payable	_____	
Other(list)	_____	<u>0</u>
Deduct:		
Bond anticipation notes	<u>8,982,411</u>	
Energy performance debt	<u>708,781</u>	
 Short-term portion of bonds payable	<u>185,000</u>	
Long-term portion of bonds payable	<u>1,675,000</u>	
Less: unspent bond proceeds	_____	
 Short-term portion of capital leases	_____	
Long-term portion of capital leases	_____	
Other short of long-term debt related to capital assets	_____	
Other (list)	_____	<u>11,551,192</u>
 Investment in capital assets, net of related debt		\$ <u>(2,285,730)</u>

HADLEY-LUZERNE CENTRAL SCHOOL
Schedule of District Contributions
For the year ended June 30, 2019

Teachers' Retirement System

	<u>2019</u>
Contractually required contribution	669,222
Contributions in relation to the contractually required contributions	<u>669,222</u>
Contribution deficiency (excess)	<u>-</u>
District's covered payroll	<u>6,926,794</u>
Contributions as a percentage of covered-employee payroll	<u>9.66%</u>

Employees' Retirement System

	<u>2019</u>
Contractually required contribution	243,412
Contributions in relation to the contractually required contributions	<u>243,412</u>
Contribution deficiency (excess)	<u>-</u>
District's covered payroll	<u>2,261,753</u>
Contributions as a percentage of covered payroll	<u>10.76%</u>

HADLEY-LUZERNE CENTRAL SCHOOL
Schedule of District's Proportionate Share of the Net Pension Liability
For the year ended June 30, 2019

Teachers' Retirement System

	<u>2019</u>
District's proportion of the net pension liability	0.0419230%
District's proportionate share of the net pension asset (liability)	758,080
District's covered payroll	6,926,794
District's proportionate share of the net pension liability as a percentage of its covered payroll	10.94%
Plan fiduciary net position as a percentage of the total pension liability	100.00%

Employees' Retirement System

	<u>2019</u>
District's proportion of the net pension liability	0.0050338%
District's proportionate share of the net pension asset (liability)	(378,236)
District's covered payroll	2,261,753
District's proportionate share of the net pension liability as a percentage of its covered payroll	16.72%
Plan fiduciary net position as a percentage of the total pension liability	100.00%

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

Note 1 – Summary of accounting policies:

The financial statements of the Hadley-Luzerne 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.

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

A) Reporting entity:

The Hadley-Luzerne 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 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District. 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) Extra-classroom Activity Funds

The Extra-classroom 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. The district accounts for assets held as an agent for various student organizations in an agency fund.

ii) Public Library

The public Library jointly shares the services of the District treasurer, appoints trustees for library purposes, and has title to real property used by the Library.

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

B) Joint venture:

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

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

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

During the year, the District was billed \$2,107,183 for 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 \$431,224.

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

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between 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) Fund financial statements:

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (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.

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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.

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

The District reports the following fiduciary funds:

Fiduciary Fund: 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 extra-classroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

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

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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 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, 2018 and become a lien on September 1, 2018. Taxes are collected during the period September 1, 2018 to November 2, 2018.

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

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 these 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 expenditures and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds,

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

Refer to Note 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 estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reported 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 the date of acquisition.

New York State law governs the District's investments 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) Receivable (or Accounts receivable):

Receivables (accounts receivable) are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

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 that approximates market. Purchases of inventorable 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 recorded as assets on the statement of net assets 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.

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 1, 2003. For assets acquired prior to July 1, 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:

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	500	Straight-Line	50 years
Building improvements	500	Straight-Line	50 years
Site improvements	500	Straight-Line	20 years
Furniture and equipment	500	Straight-Line	5-10 years
Infrastructure	500	Straight-Line	20 years

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.

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. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the statement of net position 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

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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 Revenue

The district reports unearned revenues on its statement of net position and its balance sheet. On the state 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.

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

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

In the funds statements only the amount 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 to retired

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all 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 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 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 an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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

S) Accrued liabilities and long-term obligations:

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

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

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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.

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 determined 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 positions:

Net Investment in capital assets, consists of net 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

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

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 assets 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 fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$9,344.

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 can established the following restricted fund balances:

Capital Reserve

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

Repair Reserve

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

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers'

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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. The reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is 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. This reserve is accounted for in the General Fund.

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 school 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.

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

Insurance Reserve

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8) (c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims 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. These reserves are accounted for in the General Fund.

Tax Certiorari Reserve

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

Reserve for Insurance Recoveries

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

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds 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. The reserve is accounted for in the General Fund.

Hadley-Luzerne Central School District

Notes to Financial Statements

For the Year Ended June 30, 2019

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided by the Board.

Restricted Fund Balance includes the following:

General Fund	
Capital	\$ 0
Debt Service	0
Employee Benefit Accrued Liability	520,372
Teacher Retirement Reserve	682,880
Repairs	103,581
Retirement Contributions	1,093,008
Tax Certiorari	285,983
Uncollected Taxes in a City School District	0
Unemployment Insurance	52,264
Worker's Compensation	572,636
Capital Fund*	
Debt Service Fund*	0
Special Aid Fund*	0
School Lunch Fund*	0
Total restricted funds	<u>\$3,310,724</u>

*includes remaining fund balance in these funds not otherwise classified as non spendable, 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, 2019.

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 \$70,682. The district also designated funds to the subsequent year in the amount of \$1,216,332.

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:

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

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 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school District's budget for the General Fund for the ensuing fiscal year. 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, 2019:

GASB has issued statement No. 83, Certain Asset Retirement Obligations	Effective for the year ending June 30, 2019
GASB has issued statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements	Effective for the year ending June 30, 2019

V) Future Changes in Accounting Standards

<i>GASB has issued statement No. 84, Fiduciary Activities</i>	Effective for the year ending June 30, 2020
<i>GASB has issued statement No. 87, Leases</i>	Effective for the year ending June 30, 2021
<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
<i>GASB has issued statement No. 91, Conduct Debt Obligations</i>	Effective for the year ending June 30, 2022

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

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

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

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

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

Total fund balances of the District's governmental funds differ from "net positions" of governmental activities reported in the Statement of Net Positions. This difference primarily results from the additional long-term economic focus of the Statement of Net Positions 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

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

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 Positions.

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), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the 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

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year 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 specific 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

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

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The district plans to address this by continuing to appropriate a responsible amount of fund balance annually to reduce the tax burden on its constituents.

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes. Governmental Accounting Standards Board Statement #40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

Uncollateralized	\$ <u>0</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent.	\$ <u>11,744,354</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

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

for various purposes. Restricted cash as of year-end includes \$2,877,844 within the governmental funds and \$173,892 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.

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 organizations.

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019.

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	Governmental Activities			Total
	General	Special Aid	Nonmajor	
Accounts Receivable	\$ 41,083	0	2,110	\$ 43,193
Due from State and Federal	234,911	362,954	15,834	613,699
Due from other governments	<u>380,229</u>	<u>0</u>	<u>0</u>	<u>380,229</u>
Total	\$ <u>656,223</u>	<u>362,954</u>	<u>17,944</u>	\$ <u>1,037,121</u>

District management has deemed the amounts to be fully collectible.

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 8 – Capital assets:

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,352,485	\$ 0	\$ 0	\$ 1,352,485
Total nondepreciable historical cost	<u>1,352,485</u>	<u>0</u>	<u>0</u>	<u>1,352,485</u>
Capital assets that are depreciated:				
Buildings	\$ 14,663,480	\$ 0	\$ 0	\$ 14,663,480
Furniture and equipment	6,538,426	297,451	0	6,835,877
Total depreciable historical cost	<u>21,201,906</u>	<u>297,451</u>	<u>0</u>	<u>21,499,357</u>
Less accumulated depreciation:				
Buildings	\$ 7,967,588	\$ 400,930	\$ 0	\$ 8,368,518
Furniture and equipment	5,083,336	134,526	0	5,217,862
Total accumulated depreciation	<u>13,050,924</u>	<u>535,456</u>	<u>0</u>	<u>13,586,380</u>
Total depreciable historical cost, net	<u>\$ 8,150,982</u>	<u>\$ (238,005)</u>	<u>\$ 0</u>	<u>\$ 7,912,977</u>

Governmental functions as follows:

Depreciation not charged to a specific function	\$ 535,456
	<u>\$ 535,456</u>

Note 9– Short-term debt:

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

Interest paid	\$ 13,101
Less interest accrued in the prior year	0
Plus interest accrued in the current year	<u>0</u>
Total expense	<u>\$ 13,101</u>

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	8/3/18	1.7468%	\$ 750,000	\$ 0	\$ 750,000	\$ 0
BAN	7/16/19	3.0%	0	809,005	0	809,005
BAN	5/1/20	3.0%	0	8,173,406	0	8,173,406
		Totals	\$ 750,000	\$ 8,982,411	\$ 750,000	\$ 8,982,411

Note 10- Long-term debt:

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.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government Activities:					
Bonds and notes payable:					
General obligation debt:					
Serial Bonds	\$ 3,160,000	\$ 0	\$ 1,300,000	\$ 1,860,000	\$ 185,000
Total bonds & notes payable	\$ 3,160,000	\$ 0	\$ 1,300,000	\$ 1,860,000	\$ 185,000
Other liabilities:					
Interest payable to maturity	\$ 544,153	\$ 0	\$ 129,695	\$ 414,458	\$ 80,261
Retirees health insurance	33,922,257	9,743,233	0	43,665,490	0
Compensated absences	211,219	166,689	0	377,908	0
Other long term debt (EPC)	778,675	0	69,894	708,781	0
Total other liabilities	\$ 35,456,304	\$ 9,909,922	\$ 199,589	\$ 45,166,637	\$ 80,261
Total long-term liabilities	\$ 38,616,304	\$ 9,909,922	\$ 1,499,589	\$ 47,026,637	\$ 265,261

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at year end</u>
\$2,355,00 Serial Bond	09/15/14	2029	1.94%	\$ 1,700,000
\$359,755 Serial Bond	08/15/10	2029	2.48%	<u>160,000</u>
Total				\$ <u>1,860,000</u>
Energy Performance Contract	12/12/02	2024	3.92%	<u>\$ 708,781</u>

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 185,000	\$ 53,144	\$ 238,144
2021	190,000	47,963	237,963
2022	190,000	42,663	232,663
2023	205,000	37,237	242,237
2024	205,000	31,237	236,237
2025-2029	<u>885,000</u>	<u>78,162</u>	<u>963,162</u>
Total	\$ <u>1,860,000</u>	\$ <u>290,406</u>	\$ <u>2,150,406</u>

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

Interest paid	\$ 108,501
Less interest accrued in the prior year	0
Plus interest accrued in the current year	<u>0</u>
Total expense	\$ <u>108,501</u>

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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. NYSTRSSL 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

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For 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:

		<u>NYSTRS</u>		<u>NYSERS</u>
2019	\$	728,525	\$	241,632
2018		699,845		237,482
2017		750,403		220,551

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	3/31/2019	6/30/2018
Net pension asset/(liability)	\$ (378,237)	\$ 758,080
District's portion of the Plan's total net pension asset/(liability)	0.0053383 %	0.041923 %

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

For the year ended June 30, 2019, the District's recognized pension expense of \$ 263,024 for ERS and the pension expense of \$ 587,454 for TRS. At June 30, 2019 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	\$ 74,483	\$ 566,507	\$ 25,390	\$ 102,616
Changes of assumptions	\$ 95,073	\$ 2,649,986	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ -	\$ 97,076	\$ 841,526
Changes in proportion and differences between the District's contributions and proportionate share of contributions	\$ 57,735	\$ 87,595	\$ 3,559	\$ 114,580
District's contributions subsequent to the measurement date	\$ 67,585	\$ 780,267	\$ -	\$ -
Total	\$ 294,876	\$ 4,084,355	\$ 126,025	\$ 1,058,722

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2019	\$ -	\$ 758,960
2020	\$ 94,427	\$ 515,004
2021	\$ (59,722)	\$ 53,517
2022	\$ 5,668	\$ 513,218
2023	\$ 60,892	\$ 340,040
Thereafter	\$ -	\$ 64,627

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2019	June 30, 2017
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%	2.30%
Projected Cost of Living Adjustments	1.3% annually	1.5% annually

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:

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2019</u>	<u>2019</u>
Asset Class:		
Domestic equities	36%	4.55%
International equities	14	6.35
Private Equity	10	7.50
Real estate	10	5.55
Absolute return strategies	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 2.25% for 2019.

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2019</u>	<u>2019</u>
Asset Class:		
Domestic equities	33%	5.8%
International equities	16	7.3
Real estate	11	4.9
Private equities	8	8.9
Total equities	<u>72</u>	
Domestic fixed income securities	16	1.3
Global fixed income securities	2	.09
High-yield fixed income securities	1	3.5
Mortgages	7	2.8
Short-term	1	.3
Private Debt	1	6.8
Total fixed income	<u>28</u>	
Total	<u>100%</u>	

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share Of the net pension asset (liability)	\$(1,853,707)	\$ 378,236	\$ 693,251

TRS

	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share Of the net pension asset (liability)	\$ (5,208,132)	\$ 758,080	\$ 5,756,107

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

PENSION PLAN FIDUCIARY NET POSITION

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

	(Dollars in Thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Valuation date	March 31, 2019	June 30, 2018	
Employers' total pension	\$ (378,236)	\$ 758,080	\$ 379,844
Plan Net Poition	\$ -	\$ -	\$ -
Employers' net pension	\$ (378,236)	\$ 758,080	\$ 379,844

PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$67,585.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2019 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, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$780,267.

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

Note 12 – Interfund balances and activity:

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General Fund	\$ 1,363,020	\$ 19,774	\$ 0	\$ 290,862
Special Aid Funds	0	571,348	20,612	0
School Lunch Fund	24,841	206,815	20,250	0
Debt Service Fund	0	0	0	0
Capital Funds	0	532,200	250,000	0
Total government activities	1,387,861	1,330,137	290,862	290,862
Fiduciary Agency Fund	\$ 0	\$ 57,724	\$ 0	\$ 0
Totals	\$ 1,387,861	\$ 1,387,861	\$ 290,862	\$ 290,862

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

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

Note 13 – 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 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.

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

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

Inactive employees or beneficiaries currently receiving benefit payments	128
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>180</u>
	<u>308</u>

B. Total OPEB Liability

The District's total OPEB liability of \$43,665,490 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 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	3.00%, average
Discount Rate	3.87%
Healthcare Cost Trend Rates	8.0% for 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for 2025 and later years
Retirees' Share of Benefit-Related Costs	Based on contractual agreement

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

Mortality rates were based on RP-2014 mortality table, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

C. Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ <u>33,922,257</u>
<u>Changes for the Year-</u>	
Service Cost	972,525
Interest	1,212,815
Changes of benefit terms	(5,346,391)
Differences between expected and actual experience	15,548,548
Changes in assumptions or other inputs	(1,202,812)
Benefit payments	<u>(1,438,451)</u>
Net Changes	<u>9,943,233</u>
Balance at June 30, 2019	\$ <u>43,665,490</u>

Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019

Changes of benefit terms reflect.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.60% in 2018 to 3.87% in 2019.

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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 48,376,993	\$ 43,665,490	\$ 38,940,638

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 (7%) or 1 percentage point higher (8%) than the current healthcare cost trend rate:

	<u>1% Decrease (starts at 7%)</u>	<u>Healthcare Trend Rate (starts at 8%)</u>	<u>1% Increase (starts at 9%)</u>
Total OPEB Liability	\$ 38,975,080	\$ 43,665,490	\$ 48,259,975

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

For the year ended June 30, 2019, the District recognized negative OPEB expense of \$832,446. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 15,548,548	\$ 0
Changes of assumptions or other inputs	0	(4,967,297)
Changes in Benefit Terms	0	(5,349,391)
Contributions subsequent to the measurement period	1,481,605	0
Total	\$ 17,030,153	\$ (10,316,688)

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

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, 2019</u>	<u>Amount</u>
2019	\$ (1,536,180)
2020	2,331,606
2021	2,331,606
2022	3,586,433
2023+	<u>0</u>
	\$ <u>6,713,465</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.

Consortiums and Self Insured Plans

The District participates in Washington, Saratoga, Warren, Hamilton, and 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 share of the liability for unbilled and open claims is \$0.

Note 15 – Commitments and contingencies:

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, 2019.

Note 17 – Donor-restricted endowments:

The District had no donor-restricted endowments for the year ended June 30, 2019.

**Hadley-Luzerne Central School District
Notes to Financial Statements
For the Year Ended June 30, 2019**

Note 18 – On-behalf-of payments:

During the year, the District made direct payments to a third party (or received payments from another government) for fringe benefits and salaries of another legally separate entity, in the aggregate amount of \$0.

Note 19 – Tax abatements:

The District had no tax abatements for the year ended June 30, 2019.

Note 20 – Overpayments:

The District had no overpayments for the year ended June 30, 2019.

Note 21 – Related party transactions:

The District had no related party transactions for the year ended June 30, 2019.

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 Positions:

The Districts had no derivatives not reported at fair value for the year ended June 30, 2019.

Note 24 – Impairment losses and insurance recoveries:

The District had no impairment losses or insurance recoveries for the year ended June 30, 2019.

Note 25 – Subsequent events:

The District has no subsequent events to disclose.

Note 26 – Real Estate held as investments by endowments:

The District has no real estate held as investments by endowments to disclose.

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 \$15,292,954.

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The Board of Education
Hadley-Luzerne Central School
Lake Luzerne, NY 12846

**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 Hadley-Luzerne Central School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

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

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 limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

October 10, 2019

Jenkins, Beedler + Bethel LLP

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Hadley-Luzerne Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the Hadley-Luzerne 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, 2019 of the Hadley-Luzerne Central School District's Extraclassroom Activity Funds for the year ended June 30, 2019, 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 Hadley-Luzerne 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.

October 10, 2019

Jenkins, Beecher & Bethel LLP

**Hadley-Luzerne Central School
Extraclassroom Activity Funds
Cash Receipts and Cash Disbursements
June 30, 2019**

Activities	Balance June 30, 2018	Receipts	Disbursements	Balance June 30, 2019
Class of 2018	\$ 1,658.09	\$ 0.00	\$ 1,658.09	\$ 0.00
Class of 2019	5,344.71	20,840.94	25,539.62	646.03
Class of 2020	6,201.09	4,665.42	5,048.63	5,817.88
Class of 2021	3,073.86	1,616.21	595.40	4,094.67
Class of 2022	0.00	5,426.34	2,810.00	2,616.34
Drama Club	332.18	553.06	188.31	696.93
Encompass	327.00	0.00	0.00	327.00
Sister Cities Club	3,522.52	19,665.53	22,292.16	895.89
Cheerleading	58.49	0.00	0.00	58.49
Music Club	2,198.52	0.00	0.00	2,198.52
Life Skills Club	936.18	306.50	703.23	539.45
Technology Club	3,858.22	194.00	740.22	3,312.00
International Club	121.42	0.00	121.42	0.00
Elem. Student Council	3,266.18	7,229.81	4,684.60	5,811.39
Jr. Student Council	1,471.00	569.57	195.72	1,844.85
Sr. Student Council	1,637.08	1,262.95	1,714.72	1,185.31
Mini Marathon	315.43	19,178.90	19,450.00	44.33
Yearbook Club	2,542.77	10,922.39	11,332.40	2,132.76
S.A.D.D.	882.17	0.00	0.00	882.17
Key Club	881.78	1,815.50	2,274.25	423.03
Baseball Club	0.00	4,738.00	2,138.04	2,599.96
Varsity Basketball	308.05	3,724.16	3,132.00	900.21
National M/S Jr Honor Socl	445.86	1.00	0.00	446.86
School-to-work	2,819.23	879.69	1,744.58	1,954.34
Post-Prom Club	0.00	5,250.00	4,850.00	400.00
Sales Tax	561.71	860.79	538.77	883.73
Trap Shooting Club	0.00	1,506.00	1,228.81	277.19
Volleyball Club	439.55	1,400.00	628.00	1,211.55
Softball	3,438.27	2,372.00	2,713.00	3,097.27
Wrestling	45.90	6,029.00	5,485.01	589.89
Totals	\$ 46,687.26	\$ 121,007.76	\$ 121,806.98	\$ 45,888.04

See accompanying note to financial statements.

**Hadley-Luzerne Central School District
Extra-classroom Activity Funds
Note to Financial Statements**

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Extra-classroom Activity Funds of Hadley-Luzerne Central School District (the District) are prepared on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. The cash basis of accounting, therefore, does not recognize receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States. The more significant principles and policies used by the District are described below.

**Reporting
Entity**

The transactions of the Extra-classroom Activity Funds are included in the reporting entity of Hadley-Luzerne Central School District. Such transactions are included in the basic financial statements of the District and reported in the Trust and Agency Fund as cash and extra-classroom activity fund balances. Exclusion from the District's financial statements, due to their nature and significance of their relationship with the primary government, would cause the reporting entity's financial statements to be misleading or incomplete.

The Extra-classroom Activity Funds represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra-classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The activities included in this report were formed only for educational and school activity purposes in accordance with District rules and regulations for the conduct, operation, and maintenance of the extra-classroom activities.

Cash

The District's cash consist of cash on hand and demand deposits. 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 New York State or its localities.

Demand deposits at year-end were entirely covered by FDIC. At June 30, 2019, demand deposits are entirely composed of cash on hand and demand deposit accounts. All deposits are carried at cost, which equals market.

Equity Classifications-Fund Balance

Unreserved fund balance consists of the portion of fund balance that has not been designated or reserved.

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REPORT TO THE BOARD

The Board of Education
Hadley-Luzerne Central School District
Lake Luzerne, NY 12846

We have audited the financial statements of Hadley-Luzerne Central School District (the "District") for the year ended June 30, 2019, and have issued our report thereon dated October 10, 2019. 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 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. 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. The District adopted GASB 75 during the year ended June 30, 2018. 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

Unappropriated Fund Balance

As shown in Supplemental Schedule #3, the fund balance (undesignated) at fiscal year ended June 30, 2019 was \$1,740,340. Section 1318 of the Real Property Tax law allows only a 4% of current year's budget to be retained as undesignated fund balance. For the Hadley-Luzerne Central School, this amount would be \$853,868 (4% of \$21,346,689). The Hadley-Luzerne Central School is in violation of Section 1318 of the Real Property Tax law.

School Lunch Fund Deficit

We noted during our audit that the School Lunch Fund experienced a loss of \$32,722 for the year ended June 30, 2019. This loss resulted in deficit unreserved fund balance of \$11,281 as of June 30, 2019.

We recommend that the District review the operations of the School Lunch Fund to ensure that it operates with a positive fund balance.

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. In testing the records of the Extraclassroom Activity Funds it was noted that four clubs were inactive for the year. If the clubs remains inactive, we recommend that those funds be redistributed to other clubs as directed by the Board of Education.

We appreciate this opportunity to be of service to Hadley-Luzerne Central School District. We would like to thank all of the staff for the cooperation and courtesy extended to us during our audit.

October 10, 2019

Jenkins, Beecher + Bethel LLP

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November 4, 2019

Mr. Jeffrey J. Beecher, CPA
Jenkins, Beecher & Bethel, LLP
Route 9, P.O. Box 1246
South Glens Falls, NY 12803

RE: Response to 2018-2019 Hadley-Luzerne CSD External Audit

Dear Mr. Beecher;

We are in receipt of your 2018-2019 External Audit Report. Please find the district's response and corrective actions regarding the 2018-2019 Audit Findings.

1. **Unappropriated Fund Balance.** The district is aware that the fund balance is in excess of the 4%. We will continued to review this issue and the policies pertaining to fund balance and reserves to address the issue during these difficult financial situations.
2. **School Lunch Fund Deficit.** The district went through some small changes in our school lunch program this past year. We will monitor and review the operations of this program to ensure it operates with a positive fund balance.
3. **Extra Classroom Activity Funds Audit.** All of our clubs have generally been active each year and yet of the four clubs that showed no activity there were two of them that had new advisors assigned to them. Encompass and SADD the other two clubs had an off year with no activity. If any of our clubs continue to have no activity, the Board of Education will assist in the distribution of these funds.

Thank you for the work your firm has done in completing our district's audit. If additional information is required, please do not hesitate to contact me.

Respectfully,



Michelle DAngelico Taylor
School Business Manager

