

**FORT EDWARD UNION FREE SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2021**



FORT EDWARD UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Fort Edward Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fort Edward Union Free School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fort Edward Union Free School District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 8 to the financial statements, in 2020/2021, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Going Concern

As discussed in Note 7 to the financial statements, the District is experiencing declining enrollment and growing financial strain. Additionally, the District operated under a contingency budget during the year. As a result, the District made spending cuts and drew upon its financial reserves. The District's voters approved the 2021/2022 school budget which allowed the District to restore prior year spending cuts, including certain academic and extracurricular programs. The District will have to heavily rely on the willingness of the taxpayers to provide the revenue needed to maintain the programs and services currently offered. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages A1-A7, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4, and schedules of district contributions on page C5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Edward Union Free School District's basic financial statements. The supplemental information on pages D1 – D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page F3 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

November 8, 2021

FORT EDWARD UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2021

The following discussion and analysis of the Fort Edward Union Free School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2021. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. We encourage readers to consider the information presented here, in conjunction with information provided in the financial statements.

Financial Highlights

- The District's financial status declined during the 2020-2021 school year. Total net position from operations decreased by \$568,000 over the course of the year.
- Overall general fund revenues were \$11.4 million, approximately \$1.8 million more than expenses.

Overview of the Financial Statements

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

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

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

FORT EDWARD UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2021

District-wide Statements

The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. retirement system liabilities and earned but unused vacation leave).

The District-wide financial statements can be found on pages B1 and B2 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary 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 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.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by approximately \$6,402,000 at the close of the most recent fiscal year.

Net position (in thousands of dollars)

<u>Governmental Activities</u>	<u>6/30/21</u>	<u>6/30/20</u>
Current and other assets	\$ 3,931	\$ 2,235
Capital assets	13,224	13,801
Net pension asset	-	676
Total assets	\$ 17,155	\$ 16,712
Deferred Outflows of Resources	\$ 7,391	\$ 6,703
Current liabilities	\$ 1,568	\$ 1,880
Long-term liabilities	27,817	25,940
Net pension liability	701	463
Total liabilities	\$ 30,086	\$ 28,283
Deferred Inflows of Resources	\$ 924	\$ 1,074
Net position		
Net investment in capital assets	\$ 6,443	\$ 6,062
Restricted	1,137	504
Unrestricted	(14,044)	(12,508)
Total net position	\$ (6,464)	\$ (5,942)

The District has earmarked funds for the following purposes:

- *Reserve for encumbrances of \$15,800.* Net position within the General fund is reserved to pay for commitments at June 30 that will be reappropriated during the subsequent fiscal year.
- *Reserve for Employee Benefit Accrued Liabilities of \$562,042.* The District will use these funds to pay accrued employee benefits due upon termination of the employee's service.
- *Reserve for Unemployment Insurance of \$55,009.* The District will use this to pay for unemployment claims.
- *Retirement Contribution Reserve of \$150,000.* The District will use these funds to pay retirement incentives.
- *Insurance Reserve of \$27,000.* The District will use the funds to pay insurance claims.
- *Reserve for Debt of \$252,974.* The District will use the funds to pay debt.
- *Workers Comp Reserve of \$30,000.* The District will use these funds to pay for Workers Compensation and related benefits.
- *Debt Service Funds of \$15,423.* The District will use these funds for debt service expenditures.

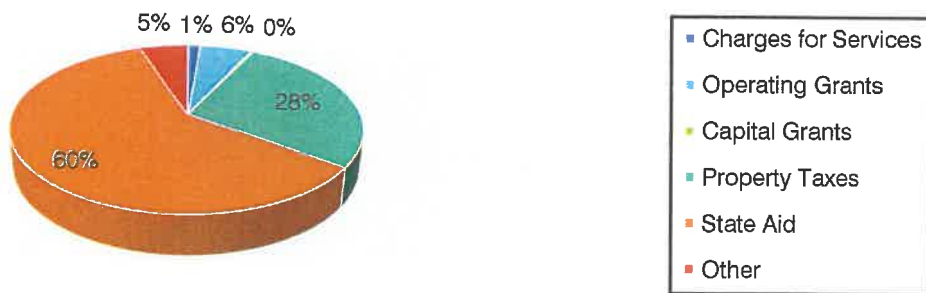
**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

- *Scholarship Funds* of \$45,792. The District will use these funds for the payment of scholarships and awards to graduating students.

Statement of Activities (in thousands of dollars)

Revenues	<u>2021</u>	<u>2020</u>
Program revenues		
Charges for services	\$ 160	\$ 296
Operating grants	674	704
Capital grants	35	396
General revenues		
Property taxes	3,338	3,323
State aid	7,224	7,235
Other	624	917
Total Revenues	\$ <u>12,055</u>	\$ <u>12,871</u>
Expenses		
Instruction	\$ 6,126	\$ 5,146
General support	1,129	3,215
Debt service	231	301
Transportation	172	298
Employee benefits	4,820	5,462
Other	145	326
Total Expenses	\$ <u>12,623</u>	\$ <u>14,748</u>
Decrease in net position	\$ <u>(568)</u>	\$ <u>(1,877)</u>

Sources of Revenues for Fiscal Year 2021



**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

Expenses for Fiscal Year 2021



Revenue

In the 2020-21 year, revenue decreased by \$816,000, or 6.33%. State aid increased by \$11,000 and overall property taxes increased by \$15,000. Operating grants decreased by \$30,000 which was primarily due to decreased funding related to federal awards.

Charges for services includes tuition for out of district students enrolled in special education programs in the District. Students are enrolled as space is available. In 2020-21 there were less students from other districts being served by the District.

Expenses

The District as a whole had a decrease in expenses of \$2,125,000 or 14.41% compared to 2020. Employee Benefits decreased by \$642,000.

Financial Analysis of The District's Funds

As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General fund is the chief operating fund of the District. At the end of the fiscal year, cash and investments totaled \$2,329,793, comprising 59.2% of total assets for the General Fund. \$1,121,215 of these funds are held to fund reserves established by the District.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

General Fund Budgetary Highlights

During the year, final revenues were over the revised budgetary estimates by \$290,702, primarily due to miscellaneous revenues. Expenditures and encumbrances were within budgetary estimates by \$1,654,888 or 17.2%.

Real Property Taxes and Tax Items showed underbudgeted interest and penalties collected from taxpayers. Charges for Services includes additional revenue for special education students served at Fort Edward that reside in other Districts.

Capital Asset and Debt Administration

Capital Assets

By the end of 2021, the District had invested \$13.2 million, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$605 thousand.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2021 and 2020:

	<u>6/30/21</u>	<u>6/30/20</u>
Land	\$ 8,731	\$ 8,731
Buildings and improvements	12,994,121	13,566,854
Furniture and equipment	<u>221,077</u>	<u>225,363</u>
Total Capital Assets, Net of Depreciation	<u>\$ 13,223,929</u>	<u>\$ 13,800,948</u>

Long Term Debt

At June 30, 2021, the District had \$28.4 million in general obligation bonds and other long-term debt outstanding, an increase of \$2.0 million from last year. More detailed information about the District's long-term liabilities is presented in Note 2.B.II. to the financial statements.

The following summarizes long-term liabilities at June 30, 2021 and 2020:

	<u>6/30/21</u>	<u>6/30/20</u>
Serial Bonds	\$ 5,800,000	\$ 6,730,000
Bond Premium	981,110	1,095,356
Other Postemployment Benefits	20,960,802	18,195,011
Compensated Absences	769,876	850,062
Net Pension Liability, Proportionate Share	<u>701,258</u>	<u>463,164</u>
Total Long-Term Liabilities	<u>\$ 29,213,046</u>	<u>\$ 27,333,593</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared, the District was aware of the following existing circumstances which could significantly affect the District's financial position in the future.

The District is prepared to provide in-person instruction to all students.

The District is experiencing declining enrollment and growing financial strain. The District's voters supported the 2021/2022 school budget. As a result, the District has seen the reinstatement of certain academic and extracurricular programs. Federal grants have also allowed some part time positions to be increased to full time positions for the next two-to-three years.

A formal merger study between the District and South Glens Falls Central School District has ended.

Contacting the District's Financial Management

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

Business Manager
Sharlene Petro-Durgan
Franklin-Essex-Hamilton BOCES
23 Husky Lane
Malone, NY 12953
Plattsburgh, NY 12901
Phone: (518) 483-6420 ext. 1051

OR

Business Office
Fort Edward Union Free
School District
220 Broadway
Fort Edward, NY 12828
Phone: (518) 747-4872

FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current Assets	
Cash	\$ 1,231,296
Restricted Cash	336,616
Restricted Investments	797,059
Accounts Receivable	26,221
State and Federal Aid Receivable	1,532,190
Inventories	7,820
Capital Assets, net	13,223,929
Total Assets	<u>17,155,131</u>
Deferred Outflows of Resources	
Other Post Employment Benefits	4,605,648
Pensions	2,785,290
Total Deferred Outflows of Resources	<u>7,390,938</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 24,546,069</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 286,610
Accrued Liabilities	120,767
Bond Interest Accrued	26,710
Due to Other Governments	582
Due to Teachers' Retirement System	340,447
Due to Employees' Retirement System	12,494
Other Liabilities	9,291
Refundable Advances	75,958
Long-Term Liabilities - Due and Payable Within One Year	
Bonds and Installment Debt	695,000
Long-Term Liabilities - Due and Payable After One Year	
Bonds and Installment Debt	5,105,000
Unamortized Bond Premium	981,110
Compensated Absences	769,876
Other Postemployment Benefits Payable	20,960,802
Net Pension Liability, Proportionate Share	701,258
Total Liabilities	<u>30,085,905</u>
Deferred Inflows of Resources	
Pensions	923,591
Total Deferred Inflows of Resources	<u>923,591</u>

NET POSITION

Net Investment in Capital Assets	6,442,827
Restricted	1,136,638
Unrestricted	(14,042,892)
Total Net Position	<u>(6,463,427)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 24,546,069</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

		Program Revenues				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
FUNCTIONS/PROGRAMS						
General support	\$ 1,128,881	\$ -	\$ -	\$ -	\$	(1,128,881)
Instruction	6,125,913	154,553	513,978	34,840		(5,422,542)
Pupil transportation	171,891	-	-	-		(171,891)
Community service	4,000	-	-	-		(4,000)
Employee benefits	4,819,664	-	-	-		(4,819,664)
Debt service	231,167	-	-	-		(231,167)
School lunch program	141,402	5,442	159,721	-		23,761
	<u>\$ 12,622,918</u>	<u>\$ 159,995</u>	<u>\$ 673,699</u>	<u>\$ 34,840</u>		<u>(11,754,384)</u>
GENERAL REVENUES						
Real property taxes						2,629,843
Other tax items						708,203
Use of money and property						124,830
State sources						7,223,622
Federal sources						215,887
Miscellaneous						284,506
						<u>11,186,891</u>
Change in Net Position						<u>(567,493)</u>
Total Net Position - Beginning of Year, As Previously Reported						(5,941,726)
Cumulative Effect of Change in Accounting Principle (Note 8)						<u>45,792</u>
Total Net Position - Beginning of Year, As Restated						<u>(5,895,934)</u>
Total Net Position - End of Year					\$	<u>(6,463,427)</u>

See accompanying notes to financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets						
Unrestricted Cash	\$ 1,208,578	\$ -	\$ 22,718	\$ -	\$ -	\$ 1,231,296
Restricted Cash	324,162	-	-	2	12,452	336,616
Temporary Investments						
Investments in Securities-Restricted	797,053	-	-	6	-	797,059
State and Federal Receivable, net	925,339	344,010	34,510	228,331	-	1,532,190
Due From Other Funds	653,105	-	-	23,760	2,971	679,836
Accounts Receivable	26,221	-	-	-	-	26,221
Inventories	-	-	7,820	-	-	7,820
Total Assets	\$ 3,934,458	\$ 344,010	\$ 65,048	\$ 252,099	\$ 15,423	\$ 4,611,038
Liabilities						
Accounts Payable	\$ 216,635	\$ 61,022	\$ 8,953	\$ -	\$ -	\$ 286,610
Accrued Liabilities	115,376	5,391	-	-	-	120,767
Due to Other Funds	136,797	280,511	-	262,528	-	679,836
Due to Other Governments	-	582	-	-	-	582
Due to Teachers' Retirement System	340,447	-	-	-	-	340,447
Due to Employees' Retirement System	12,494	-	-	-	-	12,494
Other Liabilities	9,291	-	-	-	-	9,291
Refundable Advances	75,000	-	958	-	-	75,958
Total Liabilities	906,040	347,506	9,911	262,528	-	1,525,985
Fund Equity						
Fund Equity:						
Non-spendable	-	-	7,820	-	-	7,820
Restricted	1,121,215	-	-	-	15,423	1,136,638
Assigned	15,800	(3,496)	47,317	-	-	59,621
Unassigned	1,891,403	-	-	(10,429)	-	1,880,974
Total Fund Equity	3,028,418	(3,496)	55,137	(10,429)	15,423	3,085,053
Total Liabilities and Fund Equity	\$ 3,934,458	\$ 344,010	\$ 65,048	\$ 252,099	\$ 15,423	\$ 4,611,038

Amounts reported for governmental activities in the statement of net position are different due to the following:

Total Governmental Fund Equity per above	\$ 3,085,053
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,223,929
Government funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(981,110)
Accrued interest expense is reported under the accrual basis.	(26,710)
Long-term liabilities, including bonds payable, installment purchase debt, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(27,530,678)
Net pension liability	(701,258)
Deferred outflows of resources - OPEB	4,605,648
Deferred inflows of resources - pensions	(923,591)
Deferred outflows of resources - pensions	2,785,290
Net Position of Governmental Activities	\$ (6,463,427)

**FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	General	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Real Property Taxes	\$ 2,629,843	\$ -	\$ -	\$ -	\$ -	\$ 2,629,843
Real Property Tax Items	708,203	-	-	-	-	708,203
Charges for Services	154,553	-	-	-	-	154,553
Use of Money and Property	124,812	-	-	11	7	124,830
Miscellaneous	281,536	-	-	-	2,970	284,506
State Sources	7,329,200	34,790	5,260	34,840	-	7,404,090
Federal Sources	215,887	479,188	154,461	-	-	849,536
Sales	-	-	5,442	-	-	5,442
Total Revenues	11,444,034	513,978	165,163	34,851	2,977	12,161,003
Expenditures						
General Support	1,129,442	-	-	-	-	1,129,442
Instruction	5,002,022	524,989	-	-	-	5,527,011
Pupil Transportation	155,973	2,400	-	-	-	158,373
Community Services	4,000	-	-	-	-	4,000
Employee Benefits	2,055,987	-	1,488	-	-	2,057,475
Debt Service	1,278,122	-	-	-	-	1,278,122
Cost of Sales	-	-	141,402	-	-	141,402
Capital Outlay	-	-	-	34,840	-	34,840
Total Expenditures	9,625,546	527,389	142,890	34,840	-	10,330,665
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,818,488	(13,411)	22,273	11	2,977	1,830,338
Other Financing Sources (Uses)						
Interfund Transfers, net	(9,915)	9,915	-	-	-	-
Total Other Financing Sources (Uses)	(9,915)	9,915	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	1,808,573	(3,496)	22,273	11	2,977	1,830,338
Fund Equity - Beginning of Year, as Previously Reported	1,174,053	-	32,864	(10,440)	12,446	1,208,923
Cumulative Effect of Change in Accounting Principle (Note B)	45,792	-	-	-	-	45,792
Fund Equity - Beginning of Year, as Restated	1,219,845	-	32,864	(10,440)	12,446	1,254,715
Fund Equity, End of Year	\$ 3,028,418	\$ (3,496)	\$ 55,137	\$ (10,429)	\$ 15,423	\$ 3,085,053

**FORT EDWARD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net changes in fund equity - total governmental funds \$ 1,830,338

Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.

	Depreciation expense	\$ (604,568)	
	Capital outlays	<u>27,497</u>	(577,071)

Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds. The decrease in accrued interest decreases expenses in the statement of activities. 2,709

Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 930,000

Amortization of bond premium and loss on refunding bonds is an adjustment to interest expense in the statement of activities. 114,246

Excess cost aid and BOCES aid expected to be received after the availability period are reported as deferred inflows in the governmental funds. However, in the statement of activities, these amounts are recognized as revenue when awarded. (105,578)

Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:

	Other Postemployment Benefits	(2,278,287)	
	Compensated Absences	80,186	
	Adjustments for GASB 68 pension items	<u>(564,036)</u>	<u>(2,762,137)</u>

Change in net position - governmental activities \$ (567,493)

**FORT EDWARD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2021**

	Custodial	Private Purpose Trusts
ASSETS		
Cash - unrestricted	\$ -	\$ -
Cash - restricted	54,579	-
Due from other funds	-	-
Total Assets	\$ 54,579	\$ -
LIABILITIES		
Extraclassroom activity balances	\$ 54,579	\$ -
Other liabilities	-	-
Total Liabilities	\$ 54,579	-
NET POSITION		
Reserved for scholarships		\$ -

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ -
Investment earnings	-
Total Additions	-
DEDUCTIONS	
Scholarships and awards	-
Change in Net Position	-
Net Position - Beginning of year, As Previously Reported	45,792
Cumulative Effect of Change in Accounting Principle (Note 8)	(45,792)
Net Position - Beginning of Year, As Restated	-
Net Position - End of year	\$ -

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Fort Edward Union Free School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 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 and its component unit. 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 review of an entity included in the District's reporting entity. For the fiscal year ended June 30, 2021, the District adopted provisions of GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for accounting and reporting purposes. As a result of applying this guidance, the District accounts for the student organization funds within the custodial fund.

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Cash balances are reported in the Custodial Fund of the District. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 220 Broadway, Fort Edward, New York.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

The District is a component district of the 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 share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under Section 1950 of the 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 (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

During the year ended June 30, 2021, the District was billed \$1,949,456 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$838,982. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide statements

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

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 the particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

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 funds:

I. Governmental Funds

General Fund

The General Fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Aid Fund

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

School Lunch Fund

Used to account for transactions of lunch and breakfast programs.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities and equipment.

Debt Service Fund

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

II. Fiduciary Funds

During the fiscal year ended June 30, 2021, the District adopted provisions of GASB Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. See Note 8 of the financial statements for the impact of the implementation on the financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

II. Fiduciary Funds

This fund is used to account for fiduciary activities. 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:

a. Private Purpose Trust Funds

These funds are used to account for trust arrangements in which principal and income benefits individuals, private organizations or other governments. 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.

b. Custodial Funds

These funds are strictly custodial in nature and do not involve the measurement of results of operations.

D. Basis of Accounting/Measurement Focus

General Information

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pensions, compensated absences, and postemployment benefits 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. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 11, 2020. Taxes were collected during the period September 1 through November 2, 2020.

II. Enforcement

Uncollected real property taxes are subsequently enforced by Washington County in which the District is located. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the county to the District no later than the forthcoming April 1.

G. 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.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse during the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not located 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 which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the current year:
 - \$65,003 Employee Benefit Accrued Liabilities Reserve from appropriated fund balance.
 - \$58,784 Donations received.
- e. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.
- f. Budgets are established and used for individual capital project expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

II. Encumbrances

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

III. Budget Basis of Accounting

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand and demand deposits.

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit 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 School Districts. Investments are stated at fair value. Certificates of deposit, if any, are classified as investments in these financial statements.

J. Accounts Receivable

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

K. Inventories

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Interfund Transactions

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

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

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

Refer to Note 2.A.II. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

M. Equity Classifications

District-wide Statements

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

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

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

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund Statements

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$7,820.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund equity:

Employee Benefits Accrued Liabilities Reserve

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

Debt Service

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

Insurance

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund Statements

Retirement Contributions

According to General Municipal Law Section 6-r, must be used for financing retirement contributions including employee and teachers' retirement. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. \$75,000 of this reserve is restricted for the employee's retirement system and the remaining \$75,000 is restricted for the teacher's retirement system. This reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

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

Workers' Compensation

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

Scholarship Fund

Restricted for scholarships for students that meet specified criteria. This reserve is accounted for in the General Fund.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund Statements

Restricted fund equity includes the following:

General Fund:	
Employee Benefits Accrued Liabilities	\$ 562,042
Debt	252,974
Insurance	27,000
Unemployment Insurance	55,009
Retirement Contributions	150,000
Workers' Compensation	30,000
Scholarship Fund	<u>44,190</u>
Total Restricted Fund Equity - General Fund	1,121,215
Debt Service Fund:	
Debt Service	<u>15,423</u>
Total Restricted Fund Equity	<u>\$ 1,136,638</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund equity as of June 30, 2021.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as the end of the fiscal year. Fund equity of the School Lunch Fund of \$47,317 is considered assigned. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$15,800. There was no appropriated fund equity in the General Fund at the end of the year.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Fund Statements

Encumbrances

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

Purpose of Encumbrances

General Fund	
Instructional Media	\$ 9,500
Pupil Transportation	<u>6,300</u>
	<u>\$ 15,800</u>

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. Deficit fund equity in governmental funds are classified as unassigned. In funds other than the General Fund, the unassigned classification is used to report a deficit fund equity resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity 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. The District exceeded this limit at June 30, 2021.

Order of Use of Fund Equity:

The District's policy is to apply expenditures against nonspendable fund equity, restricted fund equity, committed fund equity, assigned fund equity and unassigned fund equity at the end of the fiscal year. For all funds, nonspendable fund equity is determined first and then restricted fund equity for specific purposes is determined. Any remaining fund equity amounts for funds other than the General Fund are classified as restricted fund equity. In the General Fund, committed fund equity is determined next, then assigned. The remaining amounts are reported as unassigned. Assignments of fund equity cannot cause a negative unassigned fund equity.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Postemployment Benefits

In addition to providing the retirement benefits described in Note 2.B.I, the District provides postemployment health insurance coverage to its retired employees in accordance with the provisions of the employment contract negotiated between the District and its employee groups. Currently 45 retirees meet those eligibility requirements. See Note 4 for additional information related to postemployment benefits.

O. Capital Assets

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

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

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

P. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District may have four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in 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 Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems and OPEB subsequent to the measurement date. The fourth item relates to the OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and changes of assumptions.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Deferred Outflows and Inflows of Resources

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 may have two items that qualify for reporting in this category. The first represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Q. Short-term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The district did not issue or redeem any revenue or tax anticipation notes during the current year.

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

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. The District did not issue or redeem bond anticipation notes during the current year.

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

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. Accrued Liabilities and Long-term Obligations

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

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

S. 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 Equity of Governmental Funds vs. Net Position of Governmental Activities:

Total fund equity of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

b. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of five broad categories.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. *Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements*

Long-Term Revenue and Expense 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.

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 an asset on the Statement of Net Position and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

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

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.

OPEB Differences

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

T. *Use of Estimates*

The preparation of financial statements in conformity with GAAP 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, postemployment benefits, net pension asset/liability, potential contingent liabilities, liabilities for tax certiorari claims, deferred inflows/outflows, and useful lives of long-term assets.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Vested Employee Benefits

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

Throughout the 2020 - 2021 fiscal year, 46 retired employees have elected to use accumulated sick pay to finance health insurance payments under the District's group plan. The District pays between 50% - 100% of the cost of premiums for teachers, their spouse, and family. For teachers who elect to retire in their first year of eligibility, the District will pay the same premium as paid for active teachers (7% for 2020/2021). For teachers who do not elect to retire in their first year of eligibility, the District will pay 50% of the premium for individual coverage and 65% of the premium for their spouse or family. The District will pay 55% of the premiums for support staff and 50% for their spouse. When the accumulated sick pay amount is exhausted, the insurance payments become the responsibility of the retiree.

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

V. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB.

GASB issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2021. See Note 8 for the impact of this standard.

GASB has issued Statement 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2021. This statement had no impact on the District.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

W. Future Changes in Accounting Standards

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2022.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2022.

GASB has issued Statement 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

GASB has issued Statement 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2022.

GASB has issued Statement 94, *Public-Private and Public-Public Partnerships*, effective for the year ending June 30, 2023.

GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the year ending June 30, 2022.

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

2. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2021, all of the District's deposits were fully insured and collateralized by the District's agent in the District's name.

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 Manager of the District.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

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

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for identical assets or liabilities in active markets.
- Quoted prices for similar assets or liabilities in active markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2021, the District held \$797,059 in investments consisting of various investments in securities issued by the United States and its agencies.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

Total investments of the cooperative as of year-end are \$3,351,078,688, which consisted of \$353,203,694 in repurchase agreements, \$860,892,115 in collateralized bank deposits, \$1,941,279,884 in U.S. Government Treasury Securities and \$195,702,995 in FDIC Insured Bank Deposits.

<u>Investments in Securities at Value</u>	<u>Valuation Inputs</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Capital Fund	\$ -	\$ 6	\$ -	\$ 6
Unemployment Reserve	-	55,009	-	55,009
Workers' Comp Reserve	-	30,000	-	30,000
EBLAR Reserve	-	562,042	-	562,042
Retirement Contribution - ERS	-	75,001	-	75,001
Retirement Contribution - TRS	-	75,001	-	75,001
Total	<u>\$ -</u>	<u>\$ 797,059</u>	<u>\$ -</u>	<u>\$ 797,059</u>

The above amounts represent the fair value of the investment pool shares. For the year ended June 30, 2021, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statement of net position and balance sheet - governmental funds.

Restricted Cash and Investments

Restricted cash and investments in the General Fund totals \$1,121,215 and consists of \$252,974 reserved for debt, \$27,000 reserved for insurance, \$55,009 reserved for unemployment costs, \$30,000 reserved for workers' compensation costs, \$562,042 reserved for employee benefits, \$75,000 reserved for retirement costs of support staff, \$75,000 reserved for retirement costs for teachers, and \$44,190 reserved for scholarships.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Restricted Cash and Investments

Restricted cash and investments at June 30, 2021 in the Capital Projects Fund consists of \$8 which is restricted for voter approved capital projects.

Restricted cash at June 30, 2021 in the Debt Service Fund consists of \$12,452 which is restricted for the repayment of debt.

II. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund balances at June 30, 2021 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 653,105	\$ 136,797	\$ -	\$ 9,915
Special Aid Fund	-	280,511	9,915	-
School Lunch Fund	-	-	-	-
Capital Fund	23,760	262,528	-	-
Debt Service Fund	2,971	-	-	-
Total Government Activities	<u>679,836</u>	<u>679,836</u>	<u>9,915</u>	<u>9,915</u>
Fiduciary Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 679,836</u>	<u>\$ 679,836</u>	<u>\$ 9,915</u>	<u>\$ 9,915</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

Capital asset balances for the year ended June 30 are as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance June 30</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 8,731	\$ -	\$ -	\$ 8,731
Total nondepreciable historical cost	<u>8,731</u>	<u>-</u>	<u>-</u>	<u>8,731</u>
Capital assets that are depreciated:				
Buildings and improvements	22,223,600	-	-	22,223,600
Furniture, equipment, and vehicles	1,698,334	27,497	-	1,725,831
Total depreciable historical cost	<u>23,921,934</u>	<u>27,497</u>	<u>-</u>	<u>23,949,431</u>
Less accumulated depreciation:				
Buildings and improvements	8,656,746	572,733	-	9,229,479
Furniture, equipment, and vehicles	1,472,919	31,835	-	1,504,754
Total accumulated depreciation	<u>10,129,665</u>	<u>604,568</u>	<u>-</u>	<u>10,734,233</u>
Total Capital Assets, Net	<u>\$ 13,801,000</u>	<u>\$ (577,071)</u>	<u>\$ -</u>	<u>\$ 13,223,929</u>

Depreciation expense for the year ended June 30, 2021, was allocated to specific functions as follows:

General Support	\$ 2,789
Instruction	588,261
Pupil Transportation	13,518
Total	<u>\$ 604,568</u>

B. Liabilities

I. Pension Plans

General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems". 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.

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The system is governed by a 10 member Board of Trustees. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the 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. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). 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. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001 or found at www.osc.state.ny.us/retire/publications/index.php.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% to 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 ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2020-21	\$ 83,578	\$ 330,810
2019-20	89,765	374,932
2018-19	93,889	456,487

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pension Liabilities

At June 30, 2021, 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, 2021 for ERS and June 30, 2020 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of 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	April 1, 2020	June 30, 2019
Net pension asset/(liability)	\$(1,459)	\$(699,799)
District's portion of the Plan's total net pension asset/(liability)	.0014649%	.025325%

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Expense

For the year ended June 30, 2021, the District recognized its proportionate share of pension expense of \$33,871 for ERS and \$944,070 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 17,814	\$ 613,164	\$ -	\$ 35,863
Changes of assumptions	268,200	885,083	5,058	315,486
Net difference between projected and actual earnings on pension plan investments	-	457,030	419,013	-
Changes in proportion and differences between contributions and proportionate share of contributions	46,808	153,887	37,218	110,953
Contributions subsequent to the measurement date	12,494	330,810	-	-
Total	<u>\$ 345,316</u>	<u>\$ 2,439,974</u>	<u>\$ 461,289</u>	<u>\$ 462,302</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2022 for ERS and June 30, 2021 for TRS. 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:		
2021	\$ -	\$ 278,183
2022	(21,198)	555,881
2023	(4,470)	455,512
2024	(21,316)	304,435
2025	(81,483)	14,650
Thereafter	-	38,201

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

The total pension asset/(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 asset/(liability) to the measurement date. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest Rate	5.9%	7.1%
Salary Scale	4.4%	1.9% - 4.72%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.7%	2.20%
Projected Cost of Living Adjustments	1.4% annually	1.3% annually

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020. The previous actuarial valuation as of April 1, 2019 used the April 1, 2010 - March 31, 2015 System's experience with adjustments for the mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

The long term expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

<u>ERS</u>	<u>Target Allocation</u> <u>2021</u>	<u>Long-term expected real rate of return*</u> <u>2021</u>
Asset Class:		
Domestic equity	32 %	4.05 %
International equity	15	6.30
Private equity	10	6.75
Real estate	9	4.95
Opportunistic/ARS portfolio	3	4.50
Opportunistic portfolio	4	3.63
Real assets	3	5.95
Fixed income	23	0.00
Cash	1	0.50
Total	<u>100</u> %	

* Real rates of return are net of the long-term inflation assumption of 2.0% for 2021.

<u>TRS</u>	<u>Target Allocation</u> <u>2020</u>	<u>Long-term expected real rate of return*</u> <u>2020</u>
Asset Class:		
Domestic equity	33 %	7.1 %
International equity	16	7.7
Global equity	4	7.4
Real estate equity	11	6.8
Private equity	8	10.4
Domestic fixed income	16	1.8
Global bonds	2	1.0
High-yield bonds	1	3.9
Private debt	1	5.2
Real estate debt	7	3.6
Cash equivalents	1	0.7
Total	<u>100</u> %	

* Real rates of return are net of the long-term inflation assumption of 2.2% for 2020.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's 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 asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2021 using the discount rate of 5.9% for ERS and 7.1% 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 (4.9% for ERS and 6.1% for TRS) or 1-percentage-point higher (6.9% for ERS and 8.1% for TRS) than the current rate:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset/(liability)	\$ (404,867)	\$ (1,459)	\$ 370,579
TRS	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
Employer's proportionate share of the net pension asset/(liability)	\$ (4,420,392)	\$ (699,799)	\$ 2,422,720

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings of pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2021 is \$36,854 for ERS and \$947,749 for TRS.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$12,494.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$340,447.

Other Benefits

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

Long-Term Debt

Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Interest on long-term debt was comprised of:

Interest paid	\$ 348,122
Less interest accrued in the prior year	(29,419)
Plus interest accrued in the current year	26,710
Less amortization of bond premium	(114,246)
Total Expense	<u>\$ 231,167</u>

Changes

The changes in indebtedness during the year ended June 30, 2021 are summarized as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental activities:				
Bonds and notes payable				
General obligation debt:				
Serial Bonds	\$ 6,730,000	\$ -	\$ (930,000)	\$ 5,800,000
Bond Premium	<u>1,095,356</u>	<u>-</u>	<u>(114,246)</u>	<u>981,110</u>
Total Bonds	<u>7,825,356</u>	<u>-</u>	<u>(1,044,246)</u>	<u>6,781,110</u>
Other liabilities:				
Compensated absences	850,062	-	(80,186)	769,876
Other postemployment benefits payable	18,195,011	3,120,552	(354,761)	20,960,802
Net pension liability proportionate share	<u>463,164</u>	<u>238,094</u>	<u>-</u>	<u>701,258</u>
Total Other Liabilities	<u>19,508,237</u>	<u>3,358,646</u>	<u>(434,947)</u>	<u>22,431,936</u>
Total Long-Term Liabilities	<u>\$ 27,333,593</u>	<u>\$ 3,358,646</u>	<u>\$ (1,479,193)</u>	<u>\$ 29,213,046</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

The above balances are liquidated by the general fund.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2021</u>
Serial Bonds:				
School District Serial Bonds	2020	2030	5.0%	\$ 975,000
School District Refunding Bonds	2020	2025	2.0 - 5.0%	1,900,000
Capital Project Serial Bonds	2020	2035	5.0%	<u>2,925,000</u>
				<u>\$ 5,800,000</u>

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2022	\$ 695,000	\$ 276,050	\$ 114,246	\$ 856,804
2023	730,000	245,750	114,246	861,504
2024	755,000	213,900	114,246	854,654
2025	785,000	181,000	114,246	851,754
2026	295,000	141,750	114,246	322,504
Thereafter	<u>2,540,000</u>	<u>580,250</u>	<u>409,880</u>	<u>2,710,370</u>
Total	<u>\$ 5,800,000</u>	<u>\$ 1,638,700</u>	<u>\$ 981,110</u>	<u>\$ 6,457,590</u>

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2021, the District has exhausted 34.02% of its constitutional debt limit.

IV. Deferred Inflows of Resources

Deferred inflows of resources of the balance sheet - governmental funds arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period and is contingent on future outcomes not expected to occur within the availability period.

FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. COMMITMENTS AND CONTINGENCIES

A. *Litigation*

At times the District is an intervening party in Real Property Tax Law Article 7 tax certiorari proceedings seeking to reduce the final assessment on the petitioners' property. Due to the uncertainty of outcomes of any pending proceedings, an estimate of any potential financial effects cannot be made.

B. *Risk Financing and Related Insurance*

General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. 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.

Workers' Compensation Pool

The District participates in the Southern Adirondack Public Schools Workers' Compensation plan administered by the Board of Directors which is composed of the chief executive officer or other designated officer of the districts participating in Washington-Saratoga-Warren-Hamilton-Essex BOCES. Participants of the plan are required to make their current year contributions on July 15 and October 15 of each plan year. The plan year is July 1 through June 30. The Board may retain surplus to establish and maintain a claim contingency fund. If sufficient funds are not available, the Board will determine the amount to be assessed to the participants. For the year ended June 30, 2021, \$47,167 was paid to the plan for workers' compensation premiums.

Health Insurance Consortium

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

C. *Other Items*

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.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

A. Liabilities

I. Post Employment Benefits

Plan Description

The Fort Edward Union Free School District (the 'District') administers the District's Retiree Medical Plan (the Plan) as a single-employer defined benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy

The obligations of the Plan members, employer and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement.

Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) enrolled in District provided health care at time of retirement, 3) must reach age 55 (earlier if disabled) and 4) there is no service requirement for Tier 1 employees and a 5 year service requirement for Tiers 2, 3 and 4 (ERS and TRS). The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2021, approximately \$407,000 was paid on behalf of 46 retirees.

Employees Covered by Benefit Terms - At June 30, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	46
Inactive plan members entitled to but not yet receiving benefit payments	-0-
Active plan members	<u>94</u>
Total plan members	<u>140</u>

Net OPEB Liability

The District's total OPEB liability was measured as of July 1, 2020; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

B. Liabilities

I. Post Employment Benefits

Actuarial Assumptions and Other Inputs

The total OPEB liability at June 30, 2021, based on an actuarial valuation as of July 1, 2019, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6% (Based on CPI-2017 OASDI Trustee Report)
Salary increases	2.6% (including inflation)
Discount rate	2.21% (Bond Buyer GO-20 municipal bond index rate)
Healthcare cost trend rates	
Pre-Medicare	8.0% for 2020 decreasing 0.5% per year to an ultimate rate of 5.00% by 2027.
Medicare	N/A

Actuarial Assumptions and Other Inputs

Mortality rates were based on RP-2014 mortality table with mortality projected to the current year using Scale MP-2019 to account for mortality improvement.

Retirement participation rate assumed that 100% of all newly-retiring employees with health insurance elect to keep their health insurance when they retire and when they turn 65.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System. Rate are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

B. Liabilities

I. Post Employment Benefits

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability [a]	Plan Fiduciary Net Position [b]	Net OPEB Liability [a] - [b]
Balances, June 30, 2020	\$ 18,195,011	\$ -	\$ 18,195,011
Changes for the year:			
Service cost	554,903	-	554,903
Interest	642,157	-	642,157
Difference between expected and actual experience	-	-	-
Contributions – employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	1,923,492	-	1,923,492
Benefit payments	(354,761)	-	(354,761)
Administrative expense	-	-	-
Net changes	<u>2,765,791</u>	<u>-</u>	<u>2,765,791</u>
Balances, June 30, 2021	<u>\$ 20,960,802</u>	<u>\$ -</u>	<u>\$ 20,960,802</u>

Changes of assumptions reflect changes in inputs including a change in the discount rate from 3.51% in 2020 to 2.21% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 22,665,323	\$ 20,960,802	\$ 23,346,910

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

B. Liabilities

I. Post Employment Benefits

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0% decreasing to 4.0%) or 1 percentage point higher (9.0% decreasing to 6.0%) than the current healthcare cost trend rate:

	1% Decrease (7.0% Decreasing to 4.0%)	Healthcare Cost Trend Rate (8.0% Decreasing to 5.0%)	1% Increase (9.0% Decreasing to 6.0%)
Total OPEB Liability	\$ 18,841,025	\$ 20,960,802	\$ 22,628,809

*OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources
Related to OPEB*

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,473,713. At June 30, 2021, 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>
Differences between expected and actual experience	\$ 2,334,032	\$ -
Changes of assumptions	1,892,023	-
Contributions subsequent to the measurement period	379,593	-
Total	<u>\$ 4,605,648</u>	<u>\$ -</u>

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

<u>Year Ending June 30,</u>	
2022	\$ 1,276,653
2023	1,276,653
2024	399,164
2025	499,399
2026	499,399
2027	274,787

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

5. TAX ABATEMENTS

The County of Washington (Counties of Warren and Washington Industrial Development Agency (WWIDA)) enter into various property tax abatement programs for the purpose of economic development. The District property tax revenue was reduced \$322,454. The District received Payment in Lieu of Tax (PILOT) payments totaling \$322,454.

6. CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease, to be a pandemic. It is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future operations. The District's operations are heavily dependent on real property taxes and state aid. Additionally, access to grants, funding and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak will likely have a continued material adverse impact on the economy and cost of education. In August 2020, the Governor signed legislation that provides financial flexibility to school districts as a result of the pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date these financial statements were available to be issued.

7. GOING CONCERN

The District is experiencing declining enrollment and growing financial strain. Additionally, the District operated under a contingency budget during the year. As a result, the District made spending cuts and drew down upon its financial reserves. The District's voters approved the 2021/2022 school budget which allowed the District to restore prior year spending cuts, including certain academic and extracurricular programs. A formal merger study between the District and South Glens Falls Central School District has been completed. The merger was not approved by the Fort Edward UFSD Board of Education. As the merger with South Glens Falls CSD is no longer an option and the uncertainty of State Aid continues, the District will have to heavily rely on the willingness of the taxpayers to provide the revenue needed to maintain the programs and services currently offered.

8. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes new criteria for identifying fiduciary activities for accounting and reporting purposes. As a result of applying this criteria, many items previously reported as fiduciary in nature have been reclassified. The District's fund balances and government-wide net position were restated as a result of the implementation of GASB No. 84 as follows:

Fiduciary Fund - Private Purpose Trust Fund:

Net position at beginning of year, as previously reported	\$ 45,792
GASB Statement No. 84 implementation	(45,792)
Net Position at Beginning of Year, as Restated	<u>\$ -</u>

General Fund:

Fund Equity at beginning of year, as previously reported	\$ 1,174,053
GASB Statement No. 84 implementation	<u>45,792</u>
Fund Equity at Beginning of Year, as Restated	<u>\$ 1,219,845</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

8. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Statement of Activities:

Net position at beginning of year, as previously reported	\$ (5,941,726)
GASB Statement No. 84 implementation	<u>45,792</u>
Net position at beginning of year, as restated	<u>\$ (5,895,934)</u>

9. DEFICIT FUND BALANCE

The Capital Projects fund had a fund deficit of \$10,429. This deficit is caused by expenditures for the Smart School Bond Project in excess of application. When the District submits an amendment to cover the incidental costs for the architect and asbestos testing, this deficit will be removed.

10. LEASE OBLIGATIONS

The District leases a vehicle under the terms of non-cancelable lease. Rental expense for the year was \$10,936.

Minimum annual rentals for each of the remaining years of the lease are as follows for the fiscal years ended June 30:

2022	\$	10,936
2023		10,936
2024		10,936
2025		10,936

11. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 8, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2021, have been incorporated into these financial statements.

FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance With Actual
Revenues				
Local Sources				
Real Property Taxes	\$ 3,007,723	\$ 3,007,723	\$ 2,629,843	\$ (377,880)
Real Property Tax Items	306,744	306,744	708,203	401,459
Charges for Services	24,000	24,000	154,553	130,553
Use of Money and Property	114,459	114,459	124,812	10,353
Miscellaneous	20,620	79,404	281,536	202,132
State Sources	7,601,002	7,411,902	7,329,200	(82,702)
Federal Sources	20,000	209,100	215,887	6,787
Total Revenue	11,094,548	11,153,332	11,444,034	\$ 290,702
Appropriated Employee Benefit Accrued Liabilities Reserve	-	65,003	-	
Appropriated Workers' Compensation Reserve	30,000	30,000	-	
Appropriated Unemployment Reserve	54,921	54,921	-	
Prior Year's Encumbrances	2,893	2,893	-	
Total Revenues, Other Sources and Appropriated Fund Equity	\$ 11,182,362	\$ 11,306,149	\$ 11,444,034	

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

Expenditures	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance With Actual and Encumbrances
General Support					
Board of Education	\$ 5,400	\$ 6,971	\$ 4,763	-	\$ 2,208
Central Administration	164,892	179,209	172,629	-	6,580
Finance	260,742	287,711	252,332	-	35,379
Staff	24,436	28,133	18,628	-	9,505
Special Items	571,115	695,521	554,955	-	140,566
Central Services	130,229	140,107	126,135	-	13,972
Instruction					
Instruction, Administration and Improvement	112,723	200,511	176,460	-	24,051
Teaching - Regular School	2,344,787	2,371,643	2,218,662	-	152,981
Programs for Students with Disabilities	2,313,872	2,391,854	1,833,390	-	558,464
Occupational Education	278,528	278,049	202,419	-	75,630
Teaching - Special Schools	600	600	159	-	441
Instructional Media	316,085	370,828	330,109	9,500	31,219
Pupil Services	164,933	329,250	240,823	-	88,427
Pupil Transportation	233,191	197,242	155,973	6,300	34,969
Community Services	100,142	33,599	4,000	-	29,599
Employee Benefits	2,799,700	2,424,120	2,055,987	-	368,133
Debt Service					
Debt Service Principal	967,679	967,679	930,000	-	37,679
Debt Service Interest	338,308	348,122	348,122	-	-
Total Expenditures	<u>11,127,362</u>	<u>11,251,149</u>	<u>9,625,546</u>	<u>15,800</u>	<u>1,609,803</u>
Other Uses					
Interfund Transfer	55,000	55,000	9,915	-	45,085
Total Other Uses	<u>55,000</u>	<u>55,000</u>	<u>9,915</u>	<u>-</u>	<u>45,085</u>
Total Expenditures and Other Uses	<u>\$ 11,182,362</u>	<u>\$ 11,306,149</u>	<u>\$ 9,635,461</u>	<u>\$ 15,800</u>	<u>\$ 1,654,888</u>

Net Change in Fund Equity

Fund equity - beginning of year, as previously reported	\$ 1,808,573
Cumulative effect of change in accounting principle (note 8)	1,174,053
Fund equity - beginning of year, as restated	<u>45,792</u>
Fund equity - ending	<u>1,219,845</u>
Fund equity - ending	<u>\$ 3,028,418</u>

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Fiscal Year Ending *			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Measurement date	7/1/20	7/1/19	7/1/18	7/1/17
Service cost	\$ 554,903	\$ 635,432	\$ 605,173	\$ 605,173
Interest	642,157	617,240	568,811	292,136
Changes in benefit terms	-	-	-	(279,983)
Difference between expected and actual experience in the measurement of the total OPEB liability	-	546,689	-	5,830,621
Changes in assumptions and other inputs	1,923,492	1,025,617	(601,412)	(565,687)
Benefit payments	<u>(354,761)</u>	<u>(523,231)</u>	<u>(354,042)</u>	<u>(310,563)</u>
Net Change in Total OPEB Liability	2,765,791	2,301,747	218,530	5,571,697
Total OPEB Liability - beginning	<u>18,195,011</u>	<u>15,893,264</u>	<u>15,674,734</u>	<u>10,103,037</u>
Total OPEB Liability - ending	<u>\$ 20,960,802</u>	<u>\$ 18,195,011</u>	<u>\$ 15,893,264</u>	<u>\$ 15,674,734</u>
Covered-employee payroll	\$ 4,099,640	\$ 4,988,450	\$ 4,195,532	\$ 4,167,559
Total OPEB Liability as a percentage of covered-employee payroll	511.28%	364.74%	378.81%	376.11%

Note: The District currently pays its share of retiree health insurance on a pay-as-you-go basis

* Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of the measurement date.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2021**

	TRS Pension Plan						
	Last 10 Fiscal Years						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.025325%	0.026037%	0.0254390%	0.0282000%	0.0256190%	0.0257250%	0.0259000%
Proportionate share of the net pension liability (asset)	\$ 699,799	\$ (676,437)	\$ (460,010)	\$ (214,351)	\$ 274,386	\$ (2,672,035)	\$ (2,885,103)
Covered-employee payroll	\$ 3,671,858	\$ 4,385,256	\$ 4,414,461	\$ 4,468,837	\$ 4,033,480	\$ 3,927,315	\$ 3,897,418
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	19.06%	-15.43%	-10.42%	-4.80%	6.80%	-68.04%	-74.03%
Plan fiduciary net position as a percentage of the total pension asset	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%
	ERS Pension Plan						
	Last 10 Fiscal Years						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0014649%	0.0017491%	0.0019930%	0.0020141%	0.0022000%	0.0024038%	0.0025006%
Proportionate share of the net pension liability (asset)	\$ 1,459	\$ 463,164	\$ 141,207	\$ 65,005	\$ 206,720	\$ 385,812	\$ 84,475
Covered-employee payroll	\$ 378,528	\$ 568,646	\$ 657,686	\$ 574,095	\$ 592,200	\$ 613,839	\$ 617,846
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	0.39%	81.45%	21.47%	11.32%	34.91%	62.85%	13.67%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

	TRS Pension Plan Last 10 Fiscal Years						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 380,844	\$ 461,541	\$ 406,090	\$ 523,748	\$ 524,195	\$ 677,409	\$ 621,699
Contributions in relation to the contractually required contribution	<u>(380,844)</u>	<u>(461,541)</u>	<u>(406,090)</u>	<u>(523,748)</u>	<u>(524,195)</u>	<u>(677,409)</u>	<u>(621,699)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,671,858	\$ 4,385,256	\$ 4,414,461	\$ 4,468,837	\$ 4,033,480	\$ 3,927,315	\$ 3,897,418
Contributions as a percentage of covered-employee payroll	10.37%	10.52%	9.20%	11.72%	13.00%	17.25%	15.95%

	ERS Pension Plan Last 10 Fiscal Years						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 88,464	\$ 95,352	\$ 93,362	\$ 85,681	\$ 90,958	\$ 98,187	\$ 125,186
Contributions in relation to the contractually required contribution	<u>(88,464)</u>	<u>(95,352)</u>	<u>(93,362)</u>	<u>(85,681)</u>	<u>(90,958)</u>	<u>(98,187)</u>	<u>(125,186)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 378,528	\$ 568,646	\$ 657,686	\$ 574,095	\$ 592,200	\$ 613,839	\$ 617,846
Contributions as a percentage of covered-employee payroll	23.37%	16.77%	14.20%	14.92%	15.36%	16.00%	20.26%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted Budget	\$	11,179,469
Add: Prior year's encumbrances		2,893
Original Budget		11,182,362
Additions:		
Budget Amendments		123,787
Final Budget	\$	11,306,149

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 [subsequent year's] voter-approved expenditure budget	\$	11,096,764
Maximum allowed (4% of 2021-22 [subsequent year's] budget)		443,871

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

Unrestricted Fund Equity:		
Assigned Fund Equity	\$	15,800
Unassigned Fund Equity		1,891,403
Total Unrestricted Fund Equity		1,907,203

Less:

Appropriated Fund Equity		-
Encumbrances included in Committed and Assigned Fund Equity		15,800
Total Adjustments		15,800

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$	1,891,403
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Actual percentage		17.04%
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* Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021**

PROJECT TITLE	SED Project Number	Original Appropriation	Revised Appropriation	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Transfer to Debt Service Fund	Fund Equity June 30, 2021
				Prior Years	Current Year			State Aid	Local Sources		
				Total	Total			Total	Total		
Building Improvements		\$ 4,720,000	\$ 4,720,000	\$ -	\$ 4,120,215	\$ 599,785	\$ 3,694,080	\$ 202,321	\$ 223,619	\$ -	\$ (195)
Smart School Bond Act		203,600	203,600	34,840	238,576	(34,976)	-	228,342	-	-	(10,234)
Totals		\$ 4,923,600	\$ 4,923,600	\$ 34,840	\$ 4,358,791	\$ 564,809	\$ 3,694,080	\$ 450,663	\$ 223,619	\$ -	\$ (10,429)

See accompanying independent auditor's report on the financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2021**

Capital Assets, Net	\$	13,223,929
Add:		
Cash and investments on hand	\$ <u>8</u>	8
Deduct:		
Serial bonds payable	5,800,000	
Unamortized bond premium	<u>981,110</u>	
		<u>(6,781,110)</u>
Net Investment in Capital Assets	\$	<u><u>6,442,827</u></u>

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

To the President and Members
of the Board of Education of the
Fort Edward Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Fort Edward Union Free School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness 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 deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Marvin and Company, P.C.

Latham, NY

November 8, 2021

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

To the President and Members
of the Board of Education of the
Fort Edward Union Free School District

Report on Compliance for Each Major Federal Program

We have audited the Fort Edward Union Free School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fort Edward Union Free School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004, that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Marvin and Company, P.C.

Latham, NY

November 8, 2021

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing/ Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed Through New York State Education Department:			
Special Education Cluster			
Special Education Grants to States	84.027	0032-21-0812	\$ 192,947
Special Education Preschool Grants	84.173	0033-21-0812	<u>6,525</u>
Total Special Education Cluster			<u>199,472</u>
Title I Grants to Local Educational Agencies	84.010	0021-21-2680	175,955
Title I Grants to Local Educational Agencies School Improvement Grant	84.010	0011-21-2048	<u>52,680</u>
Total Title I			<u>228,635</u>
Supporting Effective Instruction State Grants	84.367	0147-21-2680	<u>26,766</u>
Student Support and Academic Enrichment Program	84.424	0204-21-0650	<u>24,315</u>
Education Stabilization Funds			
COVID-19 Governor's Emergency Education Relief	84.425C	5895-21-2695	22,608
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-2695	160,580
COVID-19 Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-0960	<u>3,496</u>
Total Education Stabilization Funds			<u>186,684</u>
Total U.S. Department of Education			<u>665,872</u>
<u>U.S. Department of Agriculture</u>			
Passed Through New York State Education Department:			
Child Nutrition Cluster			
COVID-19 Summer Food Service Program for Children	10.559	Not Applicable	140,877
National School Lunch Program - Food Distribution	10.555	Not Applicable	<u>13,584</u>
Total Child Nutrition Cluster			<u>154,461</u>
Total U.S. Department of Agriculture			<u>154,461</u>
Total Expenditures of Federal Awards			<u>\$ 820,333</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and accompanying independent auditor's report on the financial statements.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by the Fort Edward Union Free School District (District), which is described in Note 1 to the District's accompanying financial statements. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

The Fort Edward Union Free School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2021, the District received food commodities totaling \$13,584.

5. INDIRECT COST RATE

The Fort Edward Union Free School District did not elect to use the 10% de minimus cost rate.

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

6. SUB-RECIPIENTS

The District provided no federal awards to sub-recipients during the year ended June 30, 2021.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____yes X_no
____yes X_none reported

Noncompliance material to financial statements noted?

X_yes ____no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____yes X_no
X_yes ____none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

____yes X_no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

____yes X_no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Noncompliance Material to the Financial Statements

2021-001 Compliance with New York State Real Property Tax Law

Condition: The unassigned fund balance of the general fund exceeds 4% of the 2021-22 general fund budget by \$1,447,532.

Criteria: NYS Real Property Tax Law Section 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year.

Cause: The cumulative effect of expenditures being significantly under budget.

Effect of Condition: The District was not in compliance with Real Property Tax Law.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II: Financial Statement Findings

2021-001 Compliance with New York State Real Property Tax Law (continued)

Questioned Cost: None

Context: As part of audit procedures, the compliance with NYS Real Property Tax Law 1318 limits is reviewed.

Repeat Finding: Yes

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of Responsible Officials and Planned Corrective Actions: The District has taken a conservative approach to spending as state revenue remains uncertain. The Board of Education plans to use its fund balance in future budgets to provide stability to the taxpayers in a fiscally responsible manner.

2021-002 Compliance with Net Cash Resources and Excess Fund Balance for Child Nutrition

Condition: The fund balance in the school lunch fund exceeds the allowable limit by approximately \$12,300.

Criteria: According to the code of federal regulations section CFR §210.14 (b) the school food authority shall limit its net cash resources to no more than 3 months of average expenditures.

Cause: The cumulative effect of expenditures being less than revenue for a number of years.

Effect of Condition: The District was not in compliance with federal guidelines.

Questioned Cost: None

Context: As part of audit procedures, compliance with this federal guideline is reviewed.

Recommendation: The District should follow federal guidelines to resolve excess fund balance. The District is required to submit a plan to the Child Nutrition Program Administration detailing how the District will reduce the fund balance to an acceptable level within one year and also what the District will do to ensure that an excess fund balance does not occur in the future.

Views of responsible officials and planned corrective actions: The District will review the fund balance in the School Lunch Fund and develop a plan to reduce fund balance to no more than three months worth of average expenditures.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

Significant Deficiency

2021-003 Title I Grants to Local Educational Agencies - Level of Effort

Information on Federal Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010) passed through New York State Education Department.

Condition: The aggregate expenditures of the District from state and local funds was less than 90 percent of the aggregate expenditures from the second preceding year.

Criteria: The District's combined fiscal effort per student or its aggregate expenditures from state and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived.

Cause: The District had significantly fewer expenditures during the year due to the requirements of operating under a contingency budget during the 2020-2021 fiscal year.

Questioned Cost: None

Effect: The District is not in compliance with the 90% Level of Effort requirement. As a result, the State could reduce the District allocation if the District was not in compliance for one or more of the five preceding years.

Perspective Information: As part of procedures performed in accordance with the Uniform Guidance, level of effort is calculated for compliance with the 90 percent minimum requirement.

Repeat Finding: No

Recommendation: The District should develop a plan regarding how to address this requirement in future years and should contact the Department of Education to request a specific waiver.

Views of Responsible Officials and Planned Corrective Actions: The District will develop a plan regarding how to address this requirement in the future and will contact the Department of Education to request a specific waiver.

Significant Deficiency

2021-004 Title I Grants to Local Educational Agencies - Eligibility

Information on Federal Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010) passed through New York State Education Department.

Condition: For one student tested in a sample of twenty, the District was not able to provide proof of eligibility to receive Title I services.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency

2021-004 Title I Grants to Local Educational Agencies – Eligibility (Continued)

Criteria: The District should maintain documentation for all students receiving Title I services showing the criteria for eligibility, that criteria has been met, and that the District has made a determination that the student should be receiving those services.

Cause: The student moved and the District no longer had access to the score reports used to determine eligibility.

Questioned Cost: None

Effect: The District did not maintain all required information to verify whether the student receiving Title I services was eligible to receive those services. As a result, the student could be ineligible for services that the District is receiving payment for under the Title I Grant.

Perspective Information: As part of testing eligibility of students receiving Title I services, a sample twenty students was selected. Test scores were reviewed to determine eligibility in accordance with procedures established by the District. The District did not have access to score information for one of the students that was selected.

Repeat Finding: No

Recommendation: The District should maintain eligibility paperwork for all students receiving Title I services. Additionally, the District should maintain a written determination/evaluation/recommendation and review showing that each student is eligible based on the criteria established by the District.

Views of Responsible Officials and Planned Corrective Actions: The District will maintain eligibility paperwork for all students receiving Title I services. The District will maintain a written determination/evaluation/recommendation and review showing that each student is eligible based on criteria established by the District.

**FORT EDWARD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary Schedule of Prior Audit Findings

2020-001 Compliance with New York State Real Property Tax Law

Condition: The unassigned fund balance of the general fund exceeds 4% of the 2020-21 general fund budget.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Current Status

This comment is repeated as 2021-001

Reason for Recurrence: Due to the uncertainty of the economy and state aid, the need for appropriated fund balance might need to increase.

2020-002 Compliance with Yearly Child Nutrition Eligibility Verification Procedures

Condition: Yearly verification requirements for free and reduced price meals eligibility was completed and submitted subsequent to the December 15, 2019 deadline.

Current Status

In prior years, the District provided services to two locations that did not qualify for the Community Eligibility Provision (CEP) and was required to perform verification procedures for those locations. During the year ended June 30, 2021, the District only provided services to a CEP certified location and was not required to perform eligibility verification procedures. The finding is not required to be repeated.