

GALWAY CENTRAL SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES
JUNE 30, 2019

C O N T E N T S

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 2
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	3 – 11
<u>BASIC FINANCIAL STATEMENTS</u>	
Statement of net position	12
Statement of activities and change in net position	13
Balance sheet – governmental funds.....	14
Reconciliation of governmental funds balance sheet to statement of net position	15
Statement of revenues, expenditures and changes in fund balances – governmental funds	16
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balance to statement of activities.....	17
Statement of fiduciary net position and statement of changes in fiduciary net position.....	18
<u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	19 – 47
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of revenues, expenditures and changes in fund balance – budget (Non-GAAP basis) and actual – general fund	48 – 49
Schedule of changes in total other post-employment benefits liability and related ratios	50
Schedule of the local government's proportionate share of the net pension liability	51
Schedule of local government contributions.....	52
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of change from adopted budget to final budget – general fund.....	53
Section 1318 of real property tax law limit calculation	53
Schedule of capital projects fund – project expenditures and financing resources.....	54
Net investment in capital assets	55
<u>OTHER REPORTS</u>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	56 – 57
<u>EXTRAClassroom Activity Funds</u>	
Independent auditors' report	59 – 60
Statement of assets and liabilities arising from cash transactions.....	61
Statement of revenues collected and expenses paid.....	62
Notes to financial statements	63
<u>MANAGEMENT LETTER</u>	64 – 66



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Galway Central School District
Galway, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Galway Central School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Galway Central School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total other post-employment benefits liability and related ratios and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 53 through 55, as described in the table of contents is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of Galway Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Galway Central School District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
September 19, 2019

GALWAY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

The following is a narrative overview and analysis of the financial activities of the Galway Central School District (District) for the fiscal year ended June 30, 2019. This discussion is intended to serve as an introduction to the District's basic financial statements, which immediately follow this section. The basic financial statements have the following components: (1) management's discussion and analysis (MD&A), (2) District-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The District is continuing a \$26.7 million capital project. The project will primarily focus on improvements to HVAC systems, flooring and ceiling replacement as well as upgrades to the building's roofing system. To date, the use of \$1.7 million Capital Reserves and BAN's has been a major source of the project's funding. The District has operated within spending targets and again ended the 2018-2019 fiscal year with an operating surplus. As in past years, this surplus will be used to fund reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the School District's *overall* financial status.

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

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

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

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

Table A-1 Major Features of the District-wide and Fund Financial Statements

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

District-Wide Statements

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

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

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position.

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net position invested in capital assets, net of debt.
 - Restricted net position are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position are net position that do not meet any of the above restrictions.

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures and changes in fund balances.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2

Condensed Statement of Net Position

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Percentage Change (Incr.;-Decr.)</u>
Assets			
Current and other assets	\$ 18,377,170	\$ 24,211,327	-24.1%
Capital assets - net	<u>35,004,652</u>	<u>17,938,455</u>	95.1%
Total Assets	53,381,822	42,149,782	26.6%
Deferred Outflows of Resources			
Other post-employment benefits	7,361,406	397,962	1749.8%
Pensions	<u>4,164,841</u>	<u>4,724,688</u>	-11.8%
Total Deferred Outflows of Resources	11,526,247	5,122,650	125.0%
Liabilities			
Unearned revenue	103,917	115,041	-9.7%
Current liabilities	26,320,581	101,196	25909.5%
Long-term liabilities	<u>21,796,455</u>	<u>31,803,281</u>	-31.5%
Total Liabilities	48,220,953	32,019,518	50.6%
Deferred Inflows of Resources			
Other post-employment benefits	2,242,247	1,402,825	59.8%
Pensions	<u>1,090,394</u>	<u>1,541,542</u>	-29.3%
Total Deferred Inflows of Resources	3,332,641	2,944,367	13.2%
Net Position			
Net investment in capital assets	29,987,740	(3,557,596)	942.9%
Restricted	5,175,885	1,292,073	300.6%
Unrestricted	<u>(21,809,150)</u>	<u>14,574,070</u>	-249.6%
Total Net Position	<u>\$ 13,354,475</u>	<u>\$ 12,308,547</u>	8.5%

Changes in Net Position

The School District's 2019 revenue was \$21,190,096 (see Table A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 50.5% and 41.8%, respectively, of the total revenue raised (see Table A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

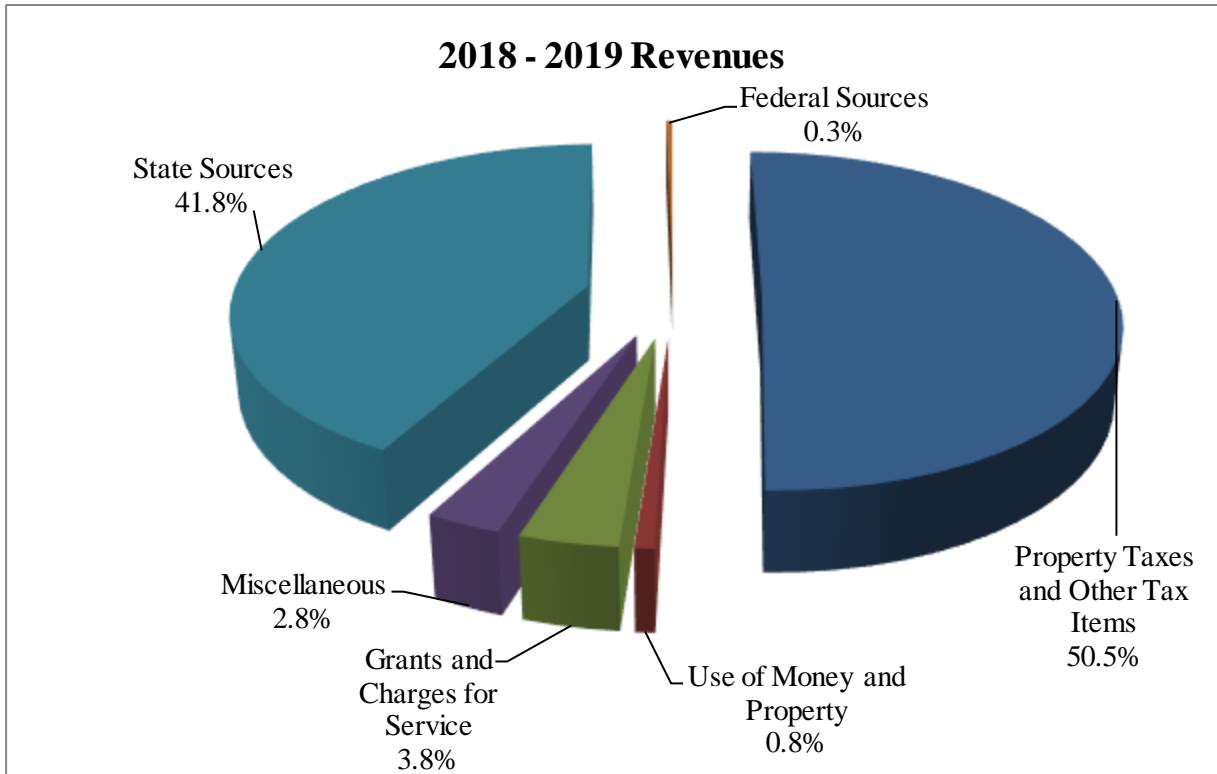
The total cost of all programs and services totaled \$20,144,168 for 2019. These expenses (78.9%) are predominantly for the education; supervision and transportation of students (see Table A-5). The School District's administrative, occupancy and business activities accounted for approximately 16.4% of total costs.

Net position increased during the year by \$1,045,928.

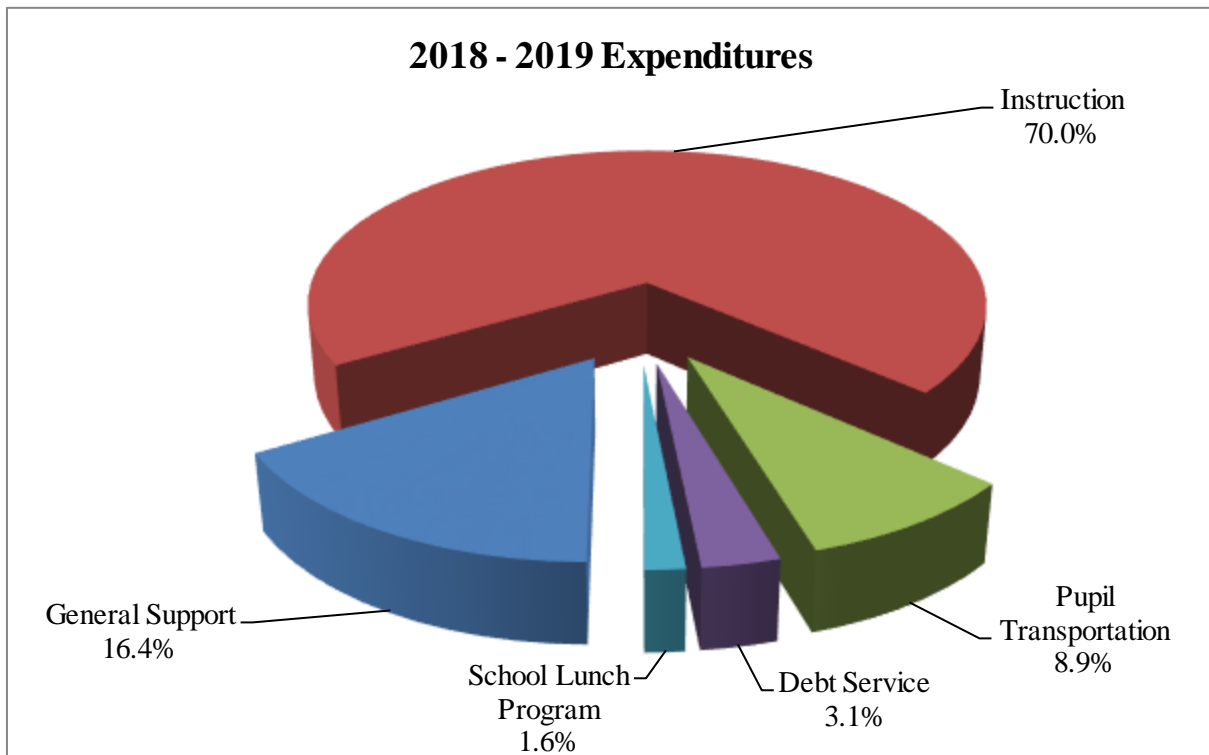
Table A-3**Changes in Net Position from Operating Results**

	Fiscal Year 2019	Fiscal Year 2018	Percentage Change (Incr.;-Decr.)
Revenues			
Program Revenues			
Charges for services	\$ 230,052	\$ 229,993	0.0%
Operating grants and contributions	574,170	660,887	-13.1%
General Revenues			
Property taxes	10,691,591	10,192,847	4.9%
State formula aid	8,850,820	8,739,438	1.3%
Federal sources	68,084	42,497	60.2%
Use of money and property	145,268	40,251	260.9%
Sale of property and compensation for loss	16,421	37,592	-56.3%
Miscellaneous	613,690	483,404	27.0%
Total Revenues	21,190,096	20,426,909	3.7%
Expenses			
General support	3,327,975	3,045,902	9.3%
Instruction	14,097,565	12,801,234	10.1%
Transportation	1,786,716	1,442,916	23.8%
Debt service	615,021	149,785	310.6%
Cost of sales – Lunch Program	316,891	325,788	-2.7%
Total Expenses	20,144,168	17,765,625	13.4%
Total Increase in Net Position	\$ 1,045,928	\$ 2,661,284	-60.7%

REVENUES – TABLE A-4



EXPENDITURES – TABLE A-5



Governmental Activities

Revenue for the School District's governmental activities totaled \$21,190,096 while total expenses were \$20,144,168. Accordingly, net position increased by \$1,045,928.

Table A-6 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-6

Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2019	2018	Change (Incr.; -Decr.)	2019	2018	Change (Incr.; -Decr.)
General support	\$ 3,327,975	\$ 3,045,902	9.3%	\$ 3,327,975	\$ 3,045,902	9.3%
Instruction	14,097,565	12,801,234	10.1%	13,560,360	12,194,776	11.2%
Pupil transportation	1,786,716	1,442,916	23.8%	1,786,716	1,442,916	23.8%
Debt service - interest	615,021	149,785	310.6%	615,021	149,785	310.6%
Cost of sales - lunch program	316,891	325,788	-2.7%	49,874	41,366	20.6%
Totals	\$ 20,144,168	\$ 17,765,625		\$ 19,339,946	\$ 16,874,745	

- The cost of all governmental activities for the year was \$20,144,168.
- The users of the School District's programs financed \$230,052 of the costs.
- The federal and state government grants financed \$574,170.
- The majority of costs were financed by the School District's taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

The General Fund is the only fund for which a budget is legally adopted.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2019, the School District had \$35,004,652 (net of depreciation) invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment.

Capital Assets

Table A-7

Capital Assets (Net of Depreciation)

	Fiscal Year 2019	Fiscal Year 2018
Land	\$ 201,419	\$ 201,419
Buildings	7,455,218	7,745,192
Site improvements	101,478	115,486
Construction in progress	25,346,368	7,871,529
Furniture and equipment	1,900,169	2,004,829
Totals	\$ 35,004,652	\$ 17,938,455

Long-Term Debt

As of June 30, 2019, the School District had \$20,516,264 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

Table A-8

Outstanding Long-Term Debt

	Fiscal Year 2019	Fiscal Year 2018
General obligation bonds (financed with property taxes)	\$ 4,170,000	\$ 5,346,051
Other debt	16,346,264	9,312,638
Totals	\$ 20,516,264	\$ 14,658,689

During 2019, the School District retired \$1,176,051 of outstanding bonds. Other debt is comprised of compensated absences and other post-employment benefits.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the Galway Central School District was aware of the following factors that could possibly affect its financial position over the course of the next few years.

- The total fund balance of the General Fund at June 30, 2019, was \$6.9 million; a change, in percentage terms, of 14.3% compared to the prior fiscal year. The fund balance amount includes \$4.274 million reserved balance and \$1.375 million against the tax levy. The District is in compliance with New York State law regarding the retention of unassigned fund balance (which is limited to 4% of the budget). The fund balance status indicates the financial foundation of the school district is solid, which shows the District to be in good stead for future school fiscal years. The five-year financial plan places the fiscal picture of the school district in stable condition, assuming that the state aid trend continues as in recent years (state aid comprises about 41% of the current revenue budget), and the major cost centers remain consistent within current trends.

- For the 2019-2020 school year, the District's budget is 3.71% higher than the previous school year. The Board of Education has been careful with the allocation of resources. The budget was developed in compliance with the tax levy limitation requirement. The tax levy is increasing by 1.99%.
- The District is in the final phase of the Capital Reconstruction Project approved by the voters for a budget of \$26.7 million. All buildings are being renovated in order to enhance the facilities constructed in the 20th Century with 21st Century modernizations and energy savings. The overall cost of the project will be aided by New York State Building Aid at about 77% over a pay-back period of 15 years.
- The personal income wealth level of District residents is comparable to the statewide average. An average wealth school district in New York State has a Combined Wealth Ratio (CWR) indicator of 1.0. Galway Central School District has a CWR indicator of .991 according to the latest data from the State Aid Office of the New York State Education Dept., meaning the property and income wealth for district residents is roughly equivalent the statewide average. The significance of this income wealth measurement speaks to the ability of the residents of the school district to support themselves and their families, in addition to paying income and property taxes to support the government and public institutions.
- District officials and the Board have been extremely diligent by saving money through such programs as joining a health insurance coalition to stabilize rates; alternative-funding the cost of workers' compensation premiums; and educating as many students in their own building at Galway Central School District instead of busing them to special schools outside of the District, thus saving on tuition payments and additional transportation costs.

The District has an experienced business management team of professionals who take pride in providing responsible fiscal stewardship. The finances are such that the District has the financial resources to meet its long-term debt obligations for the next several years and continue to provide a sound, basic education to its students. This solid fiscal and management capacity has been recognized by bond rating agencies: S & P Global has registered an underlying rating of AA- for the District.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT TEAM

This report is designed to provide members of the school district community, citizens, taxpayers, investors and creditors with a general overview of the Galway Central School District's finances, and to demonstrate the District's ability to properly account for the public money it receives and spends.

If you have questions about this report or if you need additional information, please contact:

Galway Central School District
 Business Office
 5317 Sacandaga Road
 Galway, NY 12074
 (518) 882-1033

GALWAY CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS	
Cash	
Unrestricted	\$ 10,759,406
Restricted	5,121,473
Receivables	
State and Federal aid	296,461
Due from other governments	301,434
Other	1,152,745
Inventories	4,224
Net pension asset - proportionate share	741,427
Capital assets, net of depreciation	35,004,652
Total Assets	<u>53,381,822</u>
DEFERRED OUTFLOWS OF RESOURCES	
Other post-employment benefits	7,361,406
Pensions	4,164,841
Total Deferred Outflows of Resources	<u>11,526,247</u>
LIABILITIES	
Payables	
Accounts payable	140,423
Accrued liabilities	80,075
Due to fiduciary funds	39
Unearned revenue	103,917
Due to other governments	44
Notes payable	
Bond anticipation	26,100,000
Long-term liabilities	
Due and payable within one year	
Due to Teachers' Retirement System	777,020
Due to Employees' Retirement System	67,161
Bonds payable	1,125,000
Due and payable after one year	
Bonds payable	3,045,000
Other post-employment benefits	16,158,348
Net pension liability - proportionate share	436,010
Compensated absences payable	187,916
Total Liabilities	<u>48,220,953</u>
DEFERRED INFLOWS OF RESOURCES	
Other post-employment benefits	2,242,247
Pensions	1,090,394
Total Deferred Inflows of Resources	<u>3,332,641</u>
NET POSITION	
Net investment in capital assets	29,987,740
Restricted	
Repair reserve	300,000
Unemployment insurance reserve	75,000
Retirement contribution reserve fund - ERS	988,000
Retirement contribution reserve fund - TRS	136,561
Insurance reserve	150,000
Property loss insurance reserve	150,000
Workers' compensation reserve	125,000
Reserve for debt service	901,324
Employee benefit accrued liability reserve	100,000
Capital reserve	1,750,000
Capital reserve - buses	500,000
Unrestricted	(21,809,150)
Total Net Position	<u>\$ 13,354,475</u>

See notes to basic financial statements.

GALWAY CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 3,327,975	\$ 0	\$ 0	\$ (3,327,975)
Instruction	14,097,565	(106,004)	(431,201)	(13,560,360)
Pupil transportation	1,786,716	0	0	(1,786,716)
Debt service	615,021	0	0	(615,021)
School lunch program	316,891	(124,048)	(142,969)	(49,874)
Total Functions and Programs	<u>\$ 20,144,168</u>	<u>\$ (230,052)</u>	<u>\$ (574,170)</u>	<u>(19,339,946)</u>
GENERAL REVENUES				
Real property taxes				9,358,778
Other tax items				1,332,813
Use of money and property				145,268
Sale of property and compensation for loss				16,421
Miscellaneous				613,690
State sources				8,850,820
Federal sources				68,084
Total General Revenues				<u>20,385,874</u>
CHANGE IN NET POSITION				1,045,928
TOTAL NET POSITION - BEGINNING OF YEAR				<u>12,308,547</u>
TOTAL NET POSITION - END OF YEAR				<u>\$ 13,354,475</u>

See notes to basic financial statements.

GALWAY CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	Special Aid	School Lunch	Capital	Debt Service	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 3,181,005	\$ 3,974	\$ 16,425	\$ 7,558,002	\$ 0	\$ 10,759,406
Restricted	4,274,561	0	0	0	846,912	5,121,473
Due from other funds	165,192	0	3,639	0	54,412	223,243
State and Federal aid receivable	117,784	167,423	11,254	0	0	296,461
Due from other governments	301,153	281	0	0	0	301,434
Other receivables	0	0	2,745	1,150,000	0	1,152,745
Inventories	0	0	4,224	0	0	4,224
TOTAL ASSETS	\$ 8,039,695	\$ 171,678	\$ 38,287	\$ 8,708,002	\$ 901,324	\$ 17,858,986
LIABILITIES						
Accounts payable	\$ 140,006	\$ 0	\$ 417	\$ 0	\$ 0	\$ 140,423
Accrued liabilities	78,132	0	1,943	0	0	80,075
Due to other funds	3,639	147,089	18,103	54,412	0	223,243
Due to fiduciary funds	39	0	0	0	0	39
Bond anticipation notes payable	0	0	0	26,100,000	0	26,100,000
Due to other governments	0	0	44	0	0	44
Due to Employees' Retirement System	67,161	0	0	0	0	67,161
Due to Teachers' Retirement System	777,020	0	0	0	0	777,020
Unearned revenue	73,328	24,589	6,000	0	0	103,917
Total Liabilities	1,139,325	171,678	26,507	26,154,412	0	27,491,922
FUND BALANCE						
Nonspendable						
Inventory	0	0	4,224	0	0	4,224
Restricted						
Unemployment insurance reserve	75,000	0	0	0	0	75,000
Workers' compensation reserve	125,000	0	0	0	0	125,000
Reserve for debt service	0	0	0	0	901,324	901,324
Insurance reserve	150,000	0	0	0	0	150,000
Property loss insurance reserve	150,000	0	0	0	0	150,000
Repair reserve	300,000	0	0	0	0	300,000
Retirement contribution reserve fund - ERS	988,000	0	0	0	0	988,000
Retirement contribution reserve fund - TRS	136,561	0	0	0	0	136,561
Capital reserve	1,750,000	0	0	0	0	1,750,000
Capital reserve - buses	500,000	0	0	0	0	500,000
Employee benefit accrued liability reserve	100,000	0	0	0	0	100,000
Assigned	1,741,232	8,161	7,556	0	0	1,756,949
Unassigned	884,577	(8,161)	0	(17,446,410)	0	(16,569,994)
Total Fund Balance	6,900,370	0	11,780	(17,446,410)	901,324	(9,632,936)
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,039,695	\$ 171,678	\$ 38,287	\$ 8,708,002	\$ 901,324	\$ 17,858,986

See notes to basic financial statements.

GALWAY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Total balance - governmental funds balance sheet (page 14)	\$ (9,632,936)
Add:	
Land, building and equipment, net of accumulated depreciation	35,004,652
Pensions	3,379,864
	38,384,516
Deduct:	
Compensated absences	187,916
Other post-employment benefits	11,039,189
Long and short-term bonds payable	4,170,000
	15,397,105
NET POSITION, GOVERNMENTAL ACTIVITIES	\$ 13,354,475

See notes to basic financial statements.

GALWAY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General	Special Aid	School Lunch	Capital	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	\$ 9,358,778	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,358,778
Other tax items	1,332,813	0	0	0	0	1,332,813
Charges for services	106,004	0	0	0	0	106,004
Use of money and property	80,577	0	16	0	64,675	145,268
Sale of property and compensation for loss	16,421	0	0	0	0	16,421
Miscellaneous	281,576	17,001	2,210	0	329,904	630,691
State sources	8,850,820	61,196	4,495	0	0	8,916,511
Federal sources	68,084	353,004	118,845	0	0	539,933
Surplus food	0	0	19,629	0	0	19,629
Sales - school lunch	0	0	124,048	0	0	124,048
Total Revenues	20,095,073	431,201	269,243	0	394,579	21,190,096
EXPENDITURES						
General support	2,432,584	0	131,611	0	0	2,564,195
Instruction	9,875,371	429,246	0	0	0	10,304,617
Pupil transportation	1,306,000	0	0	0	0	1,306,000
Employee benefits	3,944,670	22,881	53,204	0	0	4,020,755
Debt service						
Principal	1,176,051	0	0	0	0	1,176,051
Interest	373,661	0	0	0	241,360	615,021
Cost of sales	0	0	107,100	0	0	107,100
Capital outlay	0	0	0	17,474,839	0	17,474,839
Total Expenditures	19,108,337	452,127	291,915	17,474,839	241,360	37,568,578
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	986,736	(20,926)	(22,672)	(17,474,839)	153,219	(16,378,482)
OTHER FINANCING SOURCES AND USES						
Operating transfers in	0	20,926	0	102,000	0	122,926
Operating transfers (out)	(122,926)	0	0	0	0	(122,926)
Total Other Sources (Uses)	(122,926)	20,926	0	102,000	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES	863,810	0	(22,672)	(17,372,839)	153,219	(16,378,482)
FUND BALANCE - BEGINNING OF YEAR	6,036,560	0	34,452	(73,571)	748,105	6,745,546
FUND BALANCE - END OF YEAR	\$ 6,900,370	\$ 0	\$ 11,780	\$ (17,446,410)	\$ 901,324	\$ (9,632,936)

See notes to basic financial statements.

GALWAY CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

REVENUES - STATEMENT OF ACTIVITIES		\$ 21,190,096
EXPENDITURES	37,568,578	
Add:		
Depreciation	695,082	
Other post-employment benefits	1,003,470	
	<u>1,698,552</u>	
Deduct:		
Decrease in compensated absences	93,866	
Pensions	91,766	
Change in fixed assets	17,761,279	
Principal payments of long-term debt	1,176,051	
	<u>19,122,962</u>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<u>20,144,168</u>
CHANGE IN NET POSITION		<u><u>\$ 1,045,928</u></u>

See notes to basic financial statements.

GALWAY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Private Purpose Trust	Agency
ASSETS		
Cash	\$ 85,233	\$ 143,958
Due from governmental funds	0	39
Total Assets	\$ 85,233	\$ 143,997
LIABILITIES		
Extraclassroom activity balances	\$ 0	\$ 56,899
Other liabilities	0	87,098
Total Liabilities	0	\$ 143,997
NET POSITION		
Reserved for scholarships	\$ 85,233	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

ADDITIONS	
Investment earnings	\$ 2,033
Gifts and contributions	2,350
Total Additions	4,383
DEDUCTIONS	
Scholarships and awards	3,300
CHANGE IN NET POSITION	1,083
NET POSITION - BEGINNING OF YEAR	84,150
NET POSITION - END OF YEAR	\$ 85,233

See notes to basic financial statements.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Galway Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 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 other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District’s reporting entity.

i) Extraclassroom Activity Funds

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

B. Joint Venture

The District is one of 31 component districts in 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 shares planning, services and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. Joint Venture – (Continued)

BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 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 New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, 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, the District was billed \$2,359,741 for BOCES administrative and program costs.

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

The District's share of BOCES aid amounted to \$664,387.

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

C. Basis of Presentation

1. 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.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C. Basis of Presentation – (Continued)

2. Funds Statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds – These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, child nutrition or 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.

Capital Projects Fund – These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities.

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

The District reports the following fiduciary funds:

Fiduciary Fund – Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District and are not available to be used.

There are two classes of fiduciary funds:

- i) **Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- ii) **Agency Funds** – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D. Measurement Focus and Basis of Accounting – (Continued)

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, state aid, 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 state aid is recognized in the fiscal year it is appropriated by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property Taxes

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

Uncollected real property taxes are subsequently enforced by the Counties of Saratoga, Schenectady, Montgomery and Fulton. The Counties pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the District no later than the following April 1.

F. Restricted Resources

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

G. Interfund Transactions

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G. Interfund Transactions – (Continued)

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

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

I. Cash (and Cash Equivalents)/Investments

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

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

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

Investments are stated at fair value.

J. Accounts Receivable

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.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

K. Inventories and Prepaid Items

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

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

A reserve for these nonliquid assets (inventories) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on direct costing, standard costing or normal costing methods, were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	Straight-line	50
Site improvements	1,000	Straight-line	20
Vehicles	1,000	Straight-line	8
Computer equipment and books	1,000	Straight-line	5
Equipment	1,000	Straight-line	10

M. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. . The first item is related to pensions reported in the District’s proportion of the collective net pension liability (ERS System) and net pension asset (TRS System) and difference during the measurement periods between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The third item is related to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

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

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

	<u>ERS</u>	<u>TRS</u>
	March 31, 2019	June 30, 2018
Measurement date		
District's proportionate share of the net pension asset (liability)	\$ (436,010)	\$ 741,427
District’s portion of the Plan’s total net pension asset (liability)	(0.0061537)%	0.041002%
Change in proportion since the prior measurement date	(0.0003044)%	(0.000227)%

For the year ended June 30, 2019, the District’s recognized pension expense of \$231,606 for ERS and \$714,883 for TRS. At June 30, 2019, the District’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued)

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 85,859	\$ 554,062	\$ 29,269	\$ 100,362
Changes of assumptions	109,595	2,591,772	0	0
Net difference between projected and actual earnings on pension plan investments	0	0	111,904	823,040
Changes in proportion and differences between the District's contributions and proportionate share of contributions	13,437	28,072	16,446	9,373
District's contributions subsequent to the measurement date	67,161	714,883	0	0
Total	<u>\$ 276,052</u>	<u>\$ 3,888,789</u>	<u>\$ 157,619</u>	<u>\$ 932,775</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:		
2020	\$ 92,099	\$ 506,868
2021	(88,310)	55,519
2022	(9,088)	505,121
2023	56,572	345,267
2024	0	82,890
Thereafter	0	0

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	4.2%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
Inflation rate	2.5%	2.25%
Cost of living adjustments	1.3%	1.5%

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

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
<u>Asset type</u>		
Domestic equity	4.55%	5.8%
International equity	6.35	7.3
Global equities	0	6.7
Real estate	5.55	4.9
Domestic fixed income securities	0	1.3
Global fixed income securities	0	0.9
High-yield fixed income securities	0	3.5
Mortgages	0	2.8
Private debt	0	6.8
Short-term	0	0.3
Private equity/alternative investments	7.50	8.9
Absolute return strategies	3.75	0
Opportunistic portfolio	5.68	0
Bonds and mortgages	1.31	0
Cash	(0.25)	0
Inflation index bonds	1.25	0
Real assets	5.29	0

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	\$(1,906,303)	\$ (436,010)	\$ 799,142
	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	\$(5,093,722)	\$ 741,427	\$ 5,629,660

Pension Plan Fiduciary Net Position

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

	(Dollars in thousands)		
	<u>ERS</u> March 31, 2019	<u>TRS</u> June 30, 2018	<u>Total</u>
Measurement date			
Employers' total pension asset (liability)	\$ (189,803,429)	\$(118,107,253)	\$ (307,910,682)
Plan fiduciary net position asset (liability)	182,718,124	119,915,518	302,633,642
Employers' net pension asset (liability)	(7,085,305)	1,808,265	(5,277,040)
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	96.27%	101.53%	98.29%

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M. Deferred Outflows and Inflows of Resources – (Continued)

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019, amounted to \$67,161.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the System in September, October and November, 2019, through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employee and employer contributions for the fiscal year ended June 30, 2019, based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019, amount to \$777,020.

Additional pension information can be found in Note 10.

N. Unearned Revenue

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

O. Vested Employee Benefits

Compensated Absences

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

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

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

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

In the funds statements, only the amount 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.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

P. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

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

Q. Short-Term Debt

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

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

R. Accrued Liabilities and Long-Term Obligations

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

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications

District-Wide Statements

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

i) Net Investment in Capital Assets

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

ii) Restricted Net Position

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

iii) Unrestricted Net Position

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

Funds Statements

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

1. Nonspendable Fund Balance

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$4,224.

2. Restricted

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District:

Employee Benefit Accrued Liability

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

Unemployment Insurance

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

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Under the new amendments to General Municipal Law §6-r, the Board of Education, by resolution, can establish a sub-fund within its retirement contribution reserve fund to finance retirement contributions to the New York State Teacher Retirement System. In addition, the amount of monies contributed annually to the sub-fund cannot exceed 2%, nor can the balance of the sub-fund exceed 10% of the compensation or salaries of the TRS members during the immediate preceding fiscal year. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Repairs

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Debt Service

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

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 under Restricted Fund Balance.

Insurance

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

Liability Claims and Property Loss

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Capital

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

3. Committed

Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e. the Board of Education. The School District has no committed fund balances as of June 30, 2019.

4. 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 balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

5. Unassigned

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

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance

The District's policy is to annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Education.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following new standards issued by GASB:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019. This statement establishes criteria for determining the timing and pattern of recognition of liability and corresponding deferred outflow of resources for asset retirement obligations.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019. This statement establishes new disclosure requirements related to debt.

U. Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021. This statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases along with recognition of inflows and outflows of resources, as appropriate.

GASB has issued Statement No. 89, *Accounting Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021. This statement requires that interest cost incurred during construction be expensed in that period rather than being included in the cost of the capital asset.

GASB has issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020. This statement requires the reporting of majority equity interests which meet the definition of an investment at fair value and requires the reporting of majority equity interests which do not meet the definition of an investment as a component unit.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022. This statement provides a single method of reporting conduit debt obligations by issuers.

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

A. Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

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

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories, described as follows:

i) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-Term Debt Transaction Differences

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

iv) Pension Differences

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

v) OPEB 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.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

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

Deficit Fund Balance

The Capital Fund had a deficit fund balance of \$17,446,410 at June 30, 2019. This deficit will be eliminated when permanent financing is received.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

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

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

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District’s name		13,081,447

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$5,121,473 within the governmental funds and \$229,191 within the fiduciary funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in foreign currency and is not exposed to foreign currency risk.

NOTE 5 – INVESTMENT POOL

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-O, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2019, the District held investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and are considered to be cash equivalents. The following amounts are included as restricted and unrestricted cash.

General Fund	\$	1,976,568
Debt Service Fund		482,708
Trust and Agency Funds		<u>96,590</u>
TOTAL		<u>\$ 2,555,866</u>

The above amounts represent the cost of investment pool shares and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateralization requirements. The District has no other investments.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 201,419	\$ 0	\$ 0	\$ 201,419
Construction in process	7,871,529	17,474,839	0	25,346,368
Total nondepreciable historical cost	<u>8,072,948</u>	<u>17,474,839</u>	<u>0</u>	<u>25,547,787</u>
Capital assets that are depreciated:				
Buildings	19,181,962	6,056	0	19,188,018
Site improvements	1,351,885	0	0	1,351,885
Furniture and equipment	4,420,170	279,125	65,668	4,633,627
Total depreciable historical cost	24,954,017	285,181	65,668	25,173,530
Less accumulated depreciation:				
Buildings	11,436,770	296,030	0	11,732,800
Site improvements	1,236,399	14,008	0	1,250,407
Furniture and equipment	2,415,341	385,044	66,927	2,733,458
Total accumulated depreciation	<u>15,088,510</u>	<u>695,082</u>	<u>66,927</u>	<u>15,716,665</u>
Net depreciable historical cost	<u>9,865,507</u>	<u>(409,901)</u>	<u>(1,259)</u>	<u>9,456,865</u>
Total historical cost, net	<u>\$ 17,938,455</u>	<u>\$ 17,064,938</u>	<u>\$ (1,259)</u>	<u>\$ 35,004,652</u>

Depreciation was allocated to the following programs as follows:

General support	\$ 117,952
Instruction	499,651
Pupil transportation	63,325
School lunch program	14,154
Total	<u>\$ 695,082</u>

NOTE 7 – SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	5/31/2018	3.00%	\$ 16,150,000	\$ 0	\$ 16,150,000	\$ 0
BAN	4/30/2020	3.00%	0	26,100,000	0	26,100,000

Interest paid on short-term debt for the year was \$484,500.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8 – LONG-TERM DEBT

Interest paid on long-term debt for the year was \$130,521.

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Serial bond payable	\$ 5,346,051	\$ 0	\$ 1,176,051	\$ 4,170,000	\$ 1,125,000
Other liabilities:					
Other post-employment benefits	9,030,856	7,127,492	0	16,158,348	0
Compensated absences, net	281,782	0	93,866	187,916	0
Total other liabilities	<u>9,312,638</u>	<u>7,127,492</u>	<u>93,866</u>	<u>16,346,264</u>	<u>0</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 14,658,689</u>	<u>\$ 7,127,492</u>	<u>\$ 1,269,917</u>	<u>\$ 20,516,264</u>	<u>\$ 1,125,000</u>

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

The current portion (amount due within one year) of other liabilities as of June 30, 2019, was not determinable.

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2019</u>
Refunding bonds	2012	2020	3.00%	\$ 430,000
Serial bonds	2012	2027	2.00%	3,000,000
Serial bonds	2016	2027	2.00%	390,000
Bus Bonds	2017	2023	2%-2.125%	350,000
TOTALS				<u>\$ 4,170,000</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2020	\$ 1,125,000	\$ 78,469	\$ 1,203,469
2021	565,000	53,968	618,968
2022	455,000	56,588	511,588
2023	460,000	48,975	508,975
2024	350,000	28,270	378,270
Thereafter	1,215,000	137,793	1,352,793
TOTALS	<u>\$ 4,170,000</u>	<u>\$ 404,063</u>	<u>\$ 4,574,063</u>

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 165,192	\$ 3,678	\$ 0	\$ 122,926
Special Aid Fund	0	147,089	20,926	0
School Lunch Fund	3,639	18,103	0	0
Debt Service Fund	54,412	0	0	0
Capital Projects Fund	0	54,412	102,000	0
Total Governmental Activities	223,243	223,282	122,926	122,926
Fiduciary Agency Fund	39	0	0	0
TOTALS	<u>\$ 223,282</u>	<u>\$ 223,282</u>	<u>\$ 122,926</u>	<u>\$ 122,926</u>

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

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

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

NOTE 10 – PENSION PLANS

General Information

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). 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.

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: – (Continued)

Employees’ Retirement System (ERS)

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

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 3.0% 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. For TRS, contribution rates are established annually by the New York State Teachers’ Retirement Board pursuant to Article 11 of the Education Law.

The District is required to contribute at a rate determined actuarially by the Systems. The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2019	\$ 714,883	\$ 231,606
2018	664,363	243,541
2017	733,197	238,226

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District did not exercise.

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

Additional pension information can be found in Note 1 M.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information About the OPEB Plan:

Plan Description

The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	116
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>134</u>
Total	<u><u>250</u></u>

Total OPEB Liability:

The District’s total OPEB liability of \$16,158,348 was measured as of July 1, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	4%
Salary Increases	3.1%, average, including inflation
Discount Rate	3.87%
Healthcare Cost Trend Rates	8% for 2019, decreasing .05% per year to an ultimate rate of 5.0% for 2025 and later years.

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Actuarial Assumptions and Other Inputs – (Continued)

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

Mortality rates were based on the RP-2017 mortality table with mortality projected to the current Scale MP-2017 to account for mortality improvement.

Changes in the Total OPEB Liability:

Balance at June 30, 2018	\$ 9,030,856
Changes for the year:	
Service cost	467,610
Interest	326,364
Changes in benefit terms	(602,939)
Differences between expected and actual experience	7,771,306
Changes in assumptions or other inputs	(436,887)
Benefit payments	<u>(397,962)</u>
Net changes	<u>7,127,492</u>
Balance at June 30, 2019	<u>\$ 16,158,348</u>

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

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 17,801,761	\$ 16,158,348	\$ 14,363,697

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

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

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

	1% Decrease (7.0%) Decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0%) Decreasing to 5.0%)	1% Increase (9.0%) Decreasing to 6.0%)
Total OPEB Liability	\$ 14,375,210	\$ 16,158,348	\$ 17,766,563

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,003,470. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,771,306	\$ 0
Changes of assumptions or other inputs	0	(1,639,308)
Changes in benefit terms	0	(602,939)
Expected benefit payments subsequent to the measurement date	<u>(409,901)</u>	<u>0</u>
Total	<u>\$ 7,361,405</u>	<u>\$(2,242,247)</u>

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

<u>Fiscal Year Ending June 30:</u>	
2020	\$ (165,469)
2021	847,371
2022	847,371
2023	847,371
2024	847,371
2025	847,371
Thereafter	<u>1,047,772</u>
Total	<u>\$ 5,119,158</u>

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12 – RISK MANAGEMENT

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, etc. The risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

Consortiums and Self Insured Plans

The Galway Central School District incurs costs related to participation in the Washington-Saratoga-Warren-Hamilton-Essex Counties BOCES Health Insurance Plan. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of three consecutive years. A member may withdraw from the Plan after that time within 30 days of a determination of an arbitrator or court that the provisions of a collective bargaining agreement do not authorize such membership. Plan members include 31 Districts.

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. During the year ended June 30, 2019, the District incurred premiums or contribution expenditures totaling \$1,485,027.

The Galway Central School District participates in a risk-sharing pool, the Southern Adirondack Public Schools Workers' Compensation Plan. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District had three claims and three cases remained open, but there was no estimated unpaid liability for the year ended June 30, 2019. The District incurred premium or contribution expenditures of \$100,545 for the year ended June 30, 2019.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

GALWAY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14 – TAX ABATEMENTS

The County of Saratoga enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The School District's property tax revenue was reduced \$-0-. The District received Payment in Lieu of Tax (PILOT) payment totaling \$56,157.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2019, the date of the issuance of the audit report. There were no issues to report that would have a material effect on the financial statements.

GALWAY CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Final Budget Variance with Budgetary Actual Over (Under)</u>
REVENUES:				
Local Sources				
Real property taxes	\$ 10,621,234	\$ 10,621,234	\$ 9,358,778	\$ (1,262,456)
Real property tax items	40,000	40,000	1,332,813	1,292,813
Charges for services	9,000	9,000	106,004	97,004
Use of money and property	10,000	10,000	80,577	70,577
Sale of property and compensation for loss	2,630	2,630	16,421	13,791
Miscellaneous	165,500	166,026	281,576	115,550
Total Local Sources	10,848,364	10,848,890	11,176,169	327,279
State Sources	9,208,558	9,210,558	8,850,820	(359,738)
Federal Sources	43,560	43,560	68,084	24,524
Total Revenues	20,100,482	20,103,008	20,095,073	\$ (7,935)

See paragraph on supplementary schedules included in independent auditors' report.

GALWAY CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Year End Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under</u>
EXPENDITURES					
General Support					
Board of Education	30,414	30,414	18,015	\$ 1,150	\$ 11,249
Central administration	234,157	249,197	189,105	10,136	49,956
Finance	378,250	378,608	341,970	2,501	34,137
Staff	114,770	114,684	91,755	11,989	10,940
Central services	1,783,501	2,018,326	1,575,131	53,792	389,403
Special items	299,984	281,984	216,608	734	64,642
Instructional					
Instruction, administration and improvements	814,056	824,176	575,951	195	248,030
Teaching – regular school	5,323,879	5,475,870	5,422,722	23,457	29,691
Programs for children with handicapping conditions	2,117,445	1,950,425	1,769,561	9,040	171,824
Occupational education	633,196	544,656	443,973	0	100,683
Teaching - special school	56,993	56,993	43,787	210	12,996
Instructional media	910,910	913,066	854,081	484	58,501
Pupil services	865,483	907,006	765,296	0	141,710
Pupil Transportation	1,351,859	1,783,299	1,306,000	252,944	224,355
Employee Benefits	4,900,872	4,773,307	3,944,670	0	828,637
Debt Service	1,549,713	1,549,713	1,549,712	0	1
Total Expenditures	21,365,482	21,851,724	19,108,337	366,632	2,376,755
Other Financing Uses					
Transfers to other funds	135,000	137,000	122,926	0	14,074
Total Expenditures and Other Uses	21,500,482	21,988,724	19,231,263	\$ 366,632	\$ 2,390,829
NET CHANGE IN FUND BALANCE	(1,400,000)	(1,885,716)	863,810		
FUND BALANCE – BEGINNING	6,036,560	6,036,560	6,036,560		
FUND BALANCE – ENDING	\$ 4,636,560	\$ 4,150,844	\$ 6,900,370		

See paragraph on supplementary schedules included in independent auditors' report.

GALWAY CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS**

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Measurement Date	July 1, 2018	July 1, 2017
Total OPEB Liability		
Service cost	\$ 467,610	\$ 467,610
Interest	326,364	297,151
Change of benefit terms	(602,939)	0
Differences between expected and actual experience	7,771,306	0
Change of assumptions or other inputs	(436,887)	(1,402,825)
Benefit payments	(397,962)	(349,090)
Net change in total OPEB liability	7,127,492	(987,154)
Total OPEB Liability - beginning	9,030,856	10,018,010
Total OPEB Liability - ending	<u>\$ 16,158,348</u>	<u>\$ 9,030,856</u>
Covered-employee payroll	\$ 6,545,459	\$ 6,077,866
Total OPEB liability as a percentage of covered-employee payroll	246.86%	148.59%
Plan's fiduciary net position	\$ 0	\$ 0
Net OPEB Liability	\$ 16,158,348	\$ 9,030,856

See paragraph on supplementary schedules included in independent auditors' report.

GALWAY CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE YEARS ENDED JUNE 30, 2019, 2018, 2017, 2016 AND 2015

New York State Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0061537%	0.0064581%	0.0064138%	0.0064610%	0.0064040%
District's proportionate share of the net pension liability (asset)	\$ 436,010	\$ 208,432	\$ 602,659	\$ 1,037,002	\$ 216,344
District's covered-employee payroll	1,798,728	1,863,984	1,713,101	1,671,318	1,621,039
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.2%	11.2%	35.2%	62.0%	13.3%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%

New York State Teachers' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.041002%	0.041229%	0.041511%	0.041468%	0.041398%
District's proportionate share of the net pension liability (asset)	\$ (741,427)	\$ (313,384)	\$ 444,599	\$ (4,307,230)	\$ (4,611,470)
District's covered-employee payroll	6,734,489	6,828,069	6,255,947	6,477,699	6,229,095
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.0%	4.6%	7.1%	66.5%	74.0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	100.70%	99.00%	110.50%	111.48%

See paragraph on supplementary schedules included in independent auditors' report.

GALWAY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2019, 2018, 2017, 2016 AND 2015

New York State Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 231,606	\$ 249,581	\$ 238,226	\$ 316,958	\$ 308,307
Contributions in relation to the contractually required contribution	231,606	249,581	238,226	316,958	308,307
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,798,728	\$ 1,863,984	\$ 1,713,101	\$ 1,671,318	\$ 1,621,039
Contribution as a percentage of covered-employee payroll	12.88%	13.39%	13.91%	18.96%	19.02%

New York State Teachers' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 715,203	\$ 669,151	\$ 733,197	\$ 858,943	\$ 1,091,960
Contributions in relation to the contractually required contribution	715,203	669,151	733,197	858,943	1,091,960
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 6,734,489	\$ 6,828,069	\$ 6,255,947	\$ 6,477,699	\$ 6,229,095
Contribution as a percentage of covered-employee payroll	10.62%	9.80%	11.72%	13.26%	17.53%

See paragraph on supplementary schedules included in independent auditors' report.

GALWAY CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET –
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2019

ADOPTED BUDGET	\$ 21,500,482
ADDITIONS:	
Prior year's encumbrances	11,716
Grants in aid	2,000
Appropriated reserves	474,000
Donations	526
	<hr/>
FINAL BUDGET	<u><u>\$ 21,988,724</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

FOR THE YEAR ENDED JUNE 30, 2019

2019-2020 voter-approved expenditure budget	\$ 22,299,130
Maximum allowed (4% of 2019-2020 budget)	891,965
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	1,741,232
Unassigned fund balance	884,577
	<hr/>
Total unrestricted fund balance	2,625,809
Less:	
Appropriated fund balance and encumbrances	1,741,232
	<hr/>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 884,577</u></u>
Actual percentage	3.97%

See paragraph on supplementary schedules included in independent auditors' report.

GALWAY CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

FOR THE YEAR ENDED JUNE 30, 2019

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>				<u>Fund Balances</u>	
			<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>		<u>Local Sources</u>	<u>State Aid</u>	<u>Proceeds of Obligations</u>	<u>Total</u>		
District-wide												
Expansion and Renovation	\$ 26,700,000	\$ 26,700,000	\$ 1,807,200	\$ 17,225,162	\$ 19,032,362	\$ 7,667,638	\$ 1,750,889	\$ 0	\$ 0	\$ 1,750,889	\$ (17,281,473)	
Smart Schools	733,174	733,174	148,017	160,933	308,950	424,224	0	103,573	0	103,573	(205,377)	
Security Cameras	100,000	100,000	0	88,744	88,744	11,256	100,000	0	0	100,000	11,256	
Buses	3,500,000	3,500,000	2,209,160	0	2,209,160	1,290,840	407,293	0	1,831,051	2,238,344	29,184	
TOTALS	\$ 31,033,174	\$ 31,033,174	\$ 4,164,377	\$ 17,474,839	\$ 21,639,216	\$ 9,393,958	\$ 2,258,182	\$ 103,573	\$ 1,831,051	\$ 4,192,806	\$ (17,446,410)	

See paragraph on supplementary schedules included in independent auditors' report.

GALWAY CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS, NET		\$ 35,004,652
DEDUCT:		
Short-term portion of bonds payable	1,125,000	
Long-term portion of bonds payable	3,045,000	
Unspent BAN proceeds	<u>846,912</u>	
		<u>5,016,912</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 29,987,740</u></u>

See paragraph on supplementary schedules included in independent auditors' report.



**INDEPENDENT AUDITORS' 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 the Other Members
of the Board of Education of the
Galway Central School District
Galway, New York

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, each major fund and the aggregate remaining fund information of Galway Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Galway Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 19, 2019

GALWAY CENTRAL SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
EXTRACLASSROOM ACTIVITY FUNDS
JUNE 30, 2019



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Galway Central School District
Galway, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Galway Central School District as of June 30, 2019, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Galway Central School District as of June 30, 2019, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 19, 2019

GALWAY CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2019

ASSETS	
Cash	\$ 56,899
TOTAL ASSETS	<u>\$ 56,899</u>
LIABILITIES AND CLUB BALANCES	
Club balances	\$ 56,899
TOTAL LIABILITIES AND CLUB BALANCES	<u>\$ 56,899</u>

See notes to financial statements.

GALWAY CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Class of 2019	\$ 4,921	\$ 22,580	\$ 27,501	\$ 0
Class of 2020	3,556	12,293	14,263	1,586
Class of 2021	898	7,855	4,694	4,059
Class of 2022	268	2,340	63	2,545
Band	2,309	3,360	3,301	2,368
Best Buddies	485	523	722	286
Elementary Yearbook	1,083	2,124	2,167	1,040
FFA	1,067	6,282	5,702	1,647
E-Way Village	3,455	3,516	1,744	5,227
Footprint	1,003	5,873	6,100	776
GTV	2,053	6,853	7,449	1,457
Interest Account	65	30	0	95
JR/SR Student Senate	190	1,052	1,191	51
HS Student Senate	1,462	2,124	2,114	1,472
JR/SR Yearbook	42	4,947	388	4,601
Literary Magazine	273	0	87	186
MS Science Club	203	0	0	203
National Honor Soceity	4,320	164	2,055	2,429
National Junior Honor Society	1,121	594	1,205	510
Outdoor Education	18,054	10,199	11,071	17,182
Robotics	336	625	375	586
S.A.D.D.	301	74	156	219
Sales Tax Withholding	746	1,201	1,168	779
Science Club	1,594	240	605	1,229
Spring Play	6,721	3,835	5,111	5,445
Student Council	620	1,613	1,312	921
TOTALS	<u>\$ 57,146</u>	<u>\$ 100,297</u>	<u>\$ 100,544</u>	<u>\$ 56,899</u>

See notes to financial statements.

GALWAY CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Galway Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions, and the designation of student management. However, since the Board of Education does exercise general oversight, these funds and their corresponding cash accounts are reflected in the Trust and Agency Funds of the basic financial statements of the District.

The books and records of the Galway Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

NOTE 2 – MANAGEMENT LETTER

Management letter items associated with the Extraclassroom Activity Funds are included in the management letter accompanying the District's basic financial statements.



September 19, 2019

To the President and the Other Members
of the Board of Education of the
Galway Central School District
Galway, New York

Re: Management Letter
June 30, 2019

Dear Board Members:

In planning and performing our audit of the basic financial statements of the Galway Central School District for the year ended June 30, 2019, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter summarizes our comments and suggestions concerning those matters. We previously reported on the District's internal control in our report dated September 19, 2019. This letter does not affect our report dated September 19, 2019, on the basic financial statements of Galway Central School District.

The accompanying comments and recommendations are intended solely for the information and use of the audit committee, management and others within the District and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Prior-Year Findings

1. General Fund – Unassigned Fund Balance

Prior Condition: Unassigned Fund Balance exceeds 4% of the subsequent year's General Fund appropriation budget. Real Property Tax Law states that Unassigned Fund Balance should not exceed 4% of subsequent year's General Fund appropriation budget.

Status: This condition has been corrected as of June 30, 2019.

2. Extraclassroom Activity Funds

Prior Conditions:

- a. During receipt testing, it was noted that no profit and loss or inventory control documents are being used.
- b. There are fiscally inactive clubs.

Status: These conditions remain unchanged as of June 30, 2019.

Recommendation: We recommend that the Central Treasurer, clubs and their advisors review procedures to make extraclassroom activities comply with New York State Education Department pamphlet number 2.

3. Payroll Testing

Prior Condition: During our testing of payroll, two I-9s were missing.

Status: One I-9 was missing as of June 30, 2019.

Recommendation: The Business Office should review its I-9 file and determine that all are properly completed.

4. Disbursement Testing

Prior Condition: During our testing, we noted that 3 purchase orders were issued after the invoice date.

Status: This condition has been corrected as of June 30, 2019.

5. Extraclassroom Activity Funds

Prior Condition: During our testing of extraclassroom activity we noted an advisor's signature was missing.

Status: This condition has been corrected as of June 30, 2019.

6. Reserve Plan

Prior Condition: Upon discussions with management, it was noted that the District does not have a formal reserve plan in place which would document their intended funding and use of reserves.

Status: This condition has been corrected as of June 30, 2019.

Current-Year Findings

1. Distribution Testing

Condition: We noted several disbursements that were not signed by the claims auditor and one that was not addressed to the School District.

Recommendation: We recommend the Business Office review its procedures and insure all invoices are approved by the claims auditor and all invoices are addressed to the District.

2. Extraclassroom Activity Funds

Condition: During our testing, we noted a student signature was missing and several purchases did not include sales tax.

Recommendation: We recommend that the Central Treasurer, clubs and their advisors review procedures to make extraclassroom activities comply with New York State Education Department pamphlet number 2.

3. **Smart Schools Bond Act**

Condition: The District is spending monies under the Bond Act and not requesting the state aid, therefore limiting cash flow.

Recommendation: We recommend that the District review its procedures and request the state aid.

* * * * *

We appreciate the assistance and courtesies extended to us by your staff during our fieldwork.

Please let us know if you would like to discuss our comments and recommendations.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC