

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2019**

GLOVERSVILLE ENLARGED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Gloversville Enlarged School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Gloversville Enlarged 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gloversville Enlarged School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 - A9, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of District contributions on page C5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
October 8, 2019

GLOVERSVILLE ENLARGED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- For 2018-2019, total district-wide revenues were \$69,105,373 and total district-wide expenditures were \$66,430,252, resulting in an increase in net position of \$2,675,121.
- In 2018-2019, the District received several federal grants, including Title I, Title IIA and Title I School Improvement. These grants are used to fund programs that enhance literacy and provide opportunities for staff development. Grant funding is also utilized to offset teacher salaries so that Gloversville can continue to provide smaller classrooms and focus on at risk students to help them achieve their goals and improve graduation rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: Management's Discussion and Analysis (MD&A) (this section), the basic financial statements, required supplementary information and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1 shows how the various sections of this annual report are arranged and related to one another. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the 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 revenue, expenditures, and changes in fund equity 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in 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 outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue 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.

Government-wide Statements

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

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

- Over time, increases or decreases in the 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 District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities, and the performance of students should be considered.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Statements (continued)

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

Net position of the governmental activities differ from 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.

Government-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.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position as follows:
 - Investment in capital assets, net of related debt.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-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

Figure A-2 Condensed Statement of Net Position

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Current and other assets	\$ 29,305,897	\$ 23,824,925	23.0%
Noncurrent assets	<u>112,629,879</u>	<u>95,005,778</u>	18.6%
Total assets	\$ <u>141,935,776</u>	\$ <u>118,830,703</u>	19.4%
Deferred outflows of resources	<u>18,496,302</u>	<u>13,634,033</u>	(35.6%)
Current liabilities	\$ 46,988,538	\$ 25,460,135	84.5%
Long-term liabilities	<u>146,857,580</u>	<u>141,440,135</u>	3.8%
Total liabilities	\$ <u>193,846,118</u>	\$ <u>166,900,270</u>	16.1%
Deferred inflows of resources	<u>6,857,514</u>	<u>8,511,141</u>	19.4%
Net position			
Net investment in capital assets	\$ 54,457,431	\$ 51,563,393	5.6%
Restricted	4,855,309	4,493,989	(8.0%)
Unrestricted	<u>(99,584,294)</u>	<u>(99,004,057)</u>	.5%
Total net position	\$ <u>(40,271,554)</u>	\$ <u>(42,946,675)</u>	(6.2%)

Most of the District's net position is invested in capital assets (buildings, land and equipment). The remaining unrestricted net position is a combination of assigned, unassigned, and nonspendable amounts. The restricted balances are amounts set aside to fund future purchases, debt payments, tax certioraris, retirement contributions, unemployment insurance benefits, workers compensation benefits, or capital projects planned by the district.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-3 Changes in Net Position from Operating Results

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Revenue			
Charges for services	\$ 322,628	\$ 244,585	31.9%
Operating grants	6,316,434	6,332,081	.2%
General revenue			
Property taxes	15,422,063	15,178,024	1.6%
State aid	43,655,968	43,383,894	.6%
Investment earnings	660,370	471,091	40.1%
Other	<u>2,727,910</u>	<u>2,528,132</u>	7.9%
Total revenue	<u>69,105,373</u>	<u>68,137,807</u>	1.4%
Expenses			
General support	6,211,536	6,342,115	(2.0%)
Instruction	32,860,282	31,884,476	(3.0%)
Transportation	2,259,059	2,167,434	4.2%
Employee benefits	17,922,107	16,785,172	6.7%
Depreciation expense	3,087,735	3,086,296	0.0%
Debt service - Interest	2,207,363	1,440,868	(53.1%)
Food services	<u>1,882,170</u>	<u>1,625,323</u>	(15.7%)
Total expenses	<u>66,430,252</u>	<u>63,421,684</u>	4.8%
Increase in net position	<u>\$ 2,675,121</u>	<u>\$ 4,806,123</u>	<u>44.3%</u>

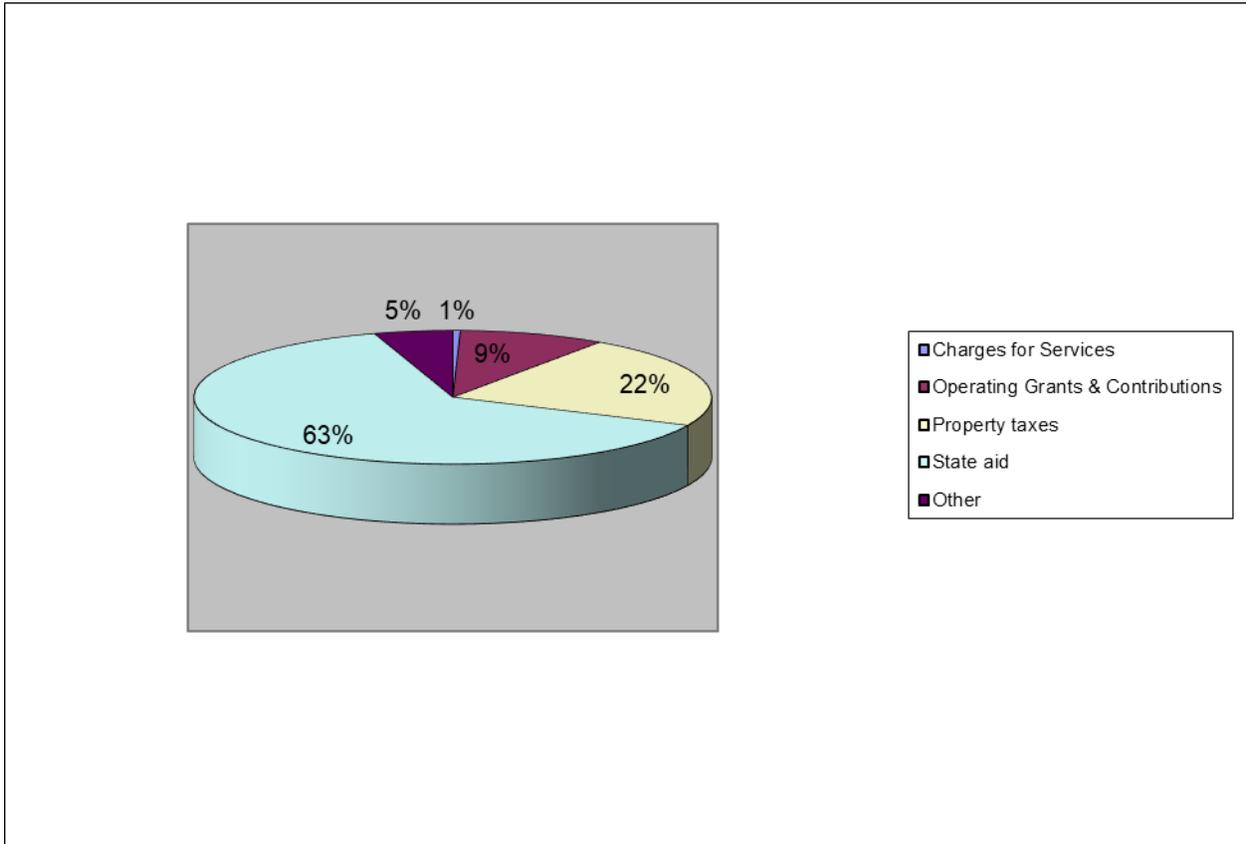
The District's fiscal year 2018-2019 revenues totaled \$69,105,373. Property taxes and state aid accounted for most of the District's revenue by contributing 22.3% and 63.1%, respectively. The remainder came from fees charged for services, operating grants, federal sources, school lunch sales, and other miscellaneous sources.

The total cost of all programs and services totaled \$66,430,252 for the fiscal year 2018-2019. These expenses are predominantly related to general support, instruction, and pupil transportation. The District's administration, business, and operations and maintenance accounted for \$6,211,536, or approximately 9.3% of the total costs.

The increase in net position for governmental activities was \$2,675,121 in the 2018-2019 fiscal year.

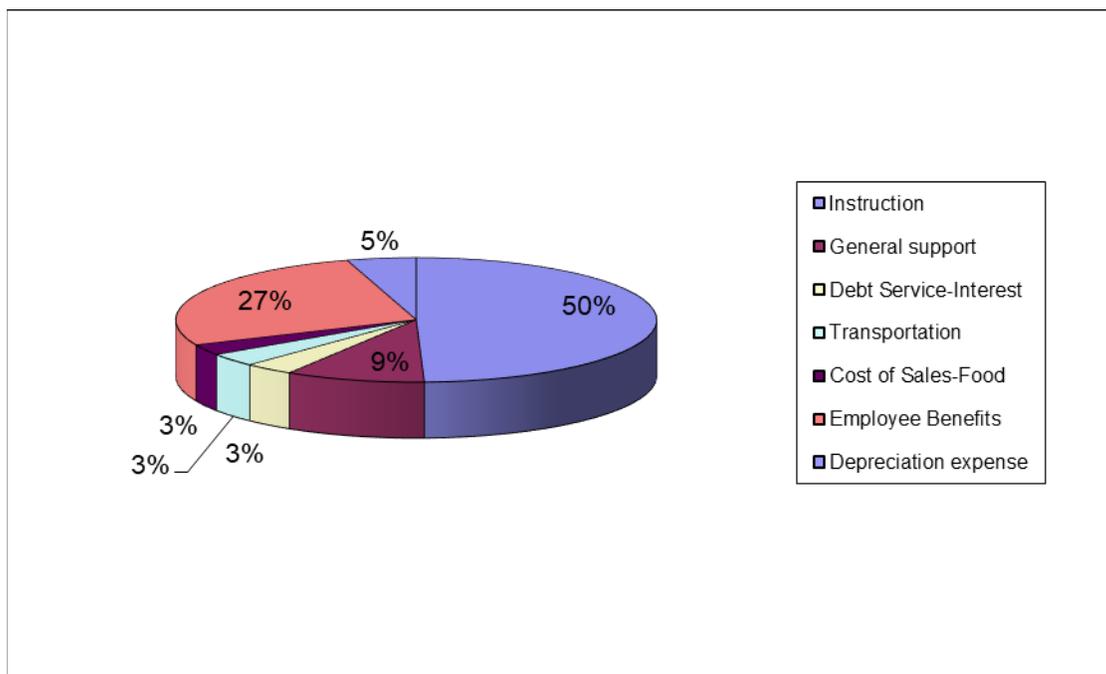
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-4: Revenue Sources for 2019



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-5: Expense Sources for 2019



Governmental Activities

Figure A-6 presents the cost of several of the District's major activities. The figure 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 District's taxpayers by each of these functions.

Figure A-6 Net Cost of Governmental Activities

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
General support	\$ 6,211,536	\$ 6,211,536	\$ 6,342,115	\$ 6,342,115
Instruction	32,860,282	28,004,976	31,884,476	27,103,764
Pupil transportation	2,259,059	2,259,059	2,167,434	2,167,434
Employee benefits	17,922,107	17,922,107	16,785,172	16,785,172
Depreciation	3,087,735	3,087,735	3,086,296	3,086,296
Debt service - Interest	2,207,363	2,207,363	1,440,868	1,440,868
Food service	1,882,170	98,414	1,625,323	(170,631)
Other expenses	-	-	-	-
Decrease in net position	<u>\$ 66,430,252</u>	<u>\$ 59,791,190</u>	<u>\$ 63,331,684</u>	<u>\$ 56,755,018</u>

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

- The cost of all governmental activities for the year was \$66,430,252.
- The users of the District's programs financed \$322,628 of the costs.
- The federal and state government financed \$6,316,434 of the costs.
- The majority of costs were financed by the District's taxpayers and unallocated NYS aid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

General Fund Budgetary Highlights

During the year, final revenues were under the revised budgetary estimates by \$610,811, primarily due to the State Aid and interfund transfers being less than anticipated. Expenditures and encumbrances were under the revised budgetary estimates by \$5,642,119, that majority of which was due to employee benefits and instruction.

The District remained within budget. Budgets have been adjusted as and when authorized by law.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2019, the District had \$112,629,879 invested in buildings, computers, and other educational equipment.

Figure A-7 Capital Assets, net of accumulated depreciation

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>
Land	\$ 724,073	\$ 724,073
Buildings and improvements	78,259,634	81,044,710
Construction in progress	32,496,909	12,102,365
Furniture, equipment, and vehicles	<u>1,149,263</u>	<u>1,134,630</u>
Total	<u>\$ 112,629,879</u>	<u>\$ 95,005,778</u>

Long-Term Debt

As of June 30, 2019, the District had \$27,665,000 in long-term debt. Detailed information about the District's long-term debt is included in the notes to the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Figure A-8 Outstanding Long-Term Liabilities

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>
Other postemployment benefits	\$ 123,234,736	\$ 112,214,272
Long-term portion of bonds payable	21,570,000	27,665,000
Compensated absences	1,343,447	1,224,788
Net pension liability - ERS	<u>709,397</u>	<u>336,075</u>
Total	<u>\$ 146,857,580</u>	<u>\$ 141,440,135</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

As in previous years, the Gloversville Enlarged School District continues to face increases in New York State foundation-aid revenues that do not meet the rising costs of educating the children within the district. The District continuously looks to partner with other districts and community agencies to bring quality educational curriculum and programming to district students in the most cost effective way.

The 2019-2020 budget was passed by a majority of the voters. The District continues reaching out to voters through multiple venues, communicating the budget message. A new public relations position was created to assist in promoting our students and to highlight their successes both in the classroom and on the athletic fields. The district school buses were also included in this year's budget, with the State reimbursing the District 90% of the cost associated with bus purchases. The \$37.8M capital project that included renovations to most of the school buildings and several athletic fields will be completed during the 2019-2020 school year. Since the District receives over 90% in building aid and has a debt service reserve fund, there will be little to no cost to the taxpayer.

The New York State legislature has imposed a 2% tax levy cap for 2019-2020 and the foreseeable future without mandated relief. This represents fiscal challenges, not only for Gloversville, but for school districts across the state. A five-year financial plan will be developed in the 2019-2020 school year to assist the Board of Education in looking to the future as they continue their conservative, structurally balanced approach to budgeting while striving to maintain financial stability for the taxpayers and keep the tax rates within the NYS Tax Cap guidelines.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Gloversville Enlarged School District
Attn: Cathy Meher, District Treasurer
234 Lincoln Street
Gloversville, NY 12078-1935
Office: (518) 775-5706

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Current Assets	
Cash - Unrestricted	\$ 7,181,000
Cash - Restricted	6,661,105
Investment in Securities - Unrestricted	2,332,738
Investment in Securities - Restricted	1,710,741
Accounts Receivable	159,477
Taxes Receivable	632,777
Due From Fiduciary Funds	443,854
State and Federal Aid Receivable	8,001,516
Inventories	31,603
Capital Assets, net	112,629,879
Net Pension Asset, Proportionate Share	2,151,086
Total Assets	141,935,776
Deferred Outflows of Resources	
Pensions	12,413,895
Other Post Employment Benefits Payable	6,082,407
Total Deferred Outflows of Resources	18,496,302
Total Assets and Deferred Outflows of Resources	\$ 160,432,078

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 695,315
Accrued Liabilities	87,431
Retainage Payable	757,194
Due to Other Governments	140
Bond Interest Accrued	779,130
Due to Teachers' Retirement System	2,260,534
Due to Employees' Retirement System	119,601
Refundable Advances	49,193
Bond Anticipation Notes	36,145,000
Long-Term Liabilities - Due and Payable Within One Year	
Bonds	6,095,000
Long-Term Liabilities - Due and Payable After One Year	
Bonds	21,570,000
Compensated Absences	1,343,447
Other Post Employment Benefits Payable	123,234,736
Net Pension Liability, Proportionate Share	709,397
Total Liabilities	193,846,118
Deferred Inflows of Resources	
Pensions	3,067,115
Other Post Employment Benefits Payable	3,790,399
Total Deferred Inflows of Resources	6,857,514

NET POSITION

Net Investment in Capital Assets	54,457,431
Restricted	4,855,309
Unrestricted	(99,584,294)
Total Net Position	(40,271,554)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 160,432,078

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

		Program Revenues		Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
FUNCTIONS/PROGRAMS				
General support	\$ 6,211,536	\$ -	\$ -	\$ (6,211,536)
Instruction	32,860,282	172,497	4,682,809	(28,004,976)
Pupil transportation	2,259,059	-	-	(2,259,059)
Employee benefits	17,922,107	-	-	(17,922,107)
Debt service - interest	2,207,363	-	-	(2,207,363)
Depreciation - unallocated	3,087,735	-	-	(3,087,735)
School lunch program	1,882,170	150,131	1,633,625	(98,414)
	<u>\$ 66,430,252</u>	<u>\$ 322,628</u>	<u>\$ 6,316,434</u>	<u>(59,791,190)</u>
Total Functions and Programs	<u>\$ 66,430,252</u>	<u>\$ 322,628</u>	<u>\$ 6,316,434</u>	<u>(59,791,190)</u>
GENERAL REVENUES				
Real property taxes				15,422,063
Investment earnings				296,157
Use of money and property				364,213
Sale of property and compensation for loss				72,826
State sources				43,655,968
Federal sources				218,503
Miscellaneous				2,436,581
				<u>62,466,311</u>
Total General Revenues				<u>62,466,311</u>
Change in Net Position				<u>2,675,121</u>
Total Net Position - Beginning of Year				<u>(42,946,675)</u>
Total Net Position - End of Year				<u>\$ (40,271,554)</u>

See accompanying notes to financial statements.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets						
Cash - Unrestricted	\$ 6,981,383	\$ 161,956	\$ 37,661	\$ -	\$ -	\$ 7,181,000
Cash - Restricted	1,180,766	-	-	5,300,045	180,294	6,661,105
Investments - Unrestricted	2,317,740	505	14,493	-	-	2,332,738
Investments - Restricted	-	-	-	337,507	1,373,234	1,710,741
State and Federal Receivable	4,314,803	3,354,720	331,993	-	-	8,001,516
Due From Other Funds	4,647,034	848,657	319,484	876,548	2,539,457	9,231,180
Accounts Receivable	141,786	-	17,691	-	-	159,477
Taxes Receivable	632,777	-	-	-	-	632,777
Inventories	-	-	31,603	-	-	31,603
Total Assets	\$ 20,216,289	\$ 4,365,838	\$ 752,925	\$ 6,514,100	\$ 4,092,985	\$ 35,942,137
Liabilities						
Accounts Payable	\$ 120,555	\$ 56,945	\$ 724	\$ 517,091	\$ -	\$ 695,315
Accrued Liabilities	79,075	2,669	5,687	-	-	87,431
Due to Other Funds	3,338,131	4,261,042	370,469	399,042	418,642	8,787,326
Due to Other Governments	-	-	140	-	-	140
Due to Teachers' Retirement System	2,260,534	-	-	-	-	2,260,534
Due to Employees' Retirement System	119,601	-	-	-	-	119,601
Refundable Advances	-	45,182	4,011	-	-	49,193
Bond Anticipation Notes	-	-	-	36,145,000	-	36,145,000
Total Liabilities	5,917,896	4,365,838	381,031	37,061,133	418,642	48,144,540
Deferred Inflows of Resources	632,777	-	-	-	-	632,777
Fund Equity (Deficiency)						
Fund Equity (Deficiency):						
Non-spendable	-	-	31,603	-	-	31,603
Restricted	1,180,766	-	200	-	3,674,343	4,855,309
Assigned	1,367,173	-	340,091	-	-	1,707,264
Unassigned	11,117,677	-	-	(30,547,033)	-	(19,429,356)
Total Fund Equity (Deficiency)	13,665,616	-	371,894	(30,547,033)	3,674,343	(12,835,180)
Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency)	\$ 20,216,289	\$ 4,365,838	\$ 752,925	\$ 6,514,100	\$ 4,092,985	\$ 35,942,137

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

Fund equity of the governmental funds	\$ (12,835,180)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	112,629,879
Accrued interest expense is reported under the accrual basis	(779,130)
Receivables expected to be collected after the 60 day availability period are reported as deferred inflows in the governmental funds but as revenue in the entity-wide statements	632,777
Retainage payable is reported under the accrual basis	(757,194)
Net pension asset	2,151,086
Net pension liability	(709,397)
Net Deferred (inflows)/outflows related to net pension asset/liability adjustments	9,346,780
Deferred (inflows)/outflows of resources - other post employment benefits payable	2,292,008
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(152,243,183)</u>
Net Position of Governmental Activities	\$ <u>(40,271,554)</u>

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues						
Real Property Taxes and Tax Items	\$ 15,728,590	\$ -	\$ -	\$ -	\$ -	\$ 15,728,590
Charges for Services	172,497	-	-	-	-	172,497
Use of Money and Property	608,546	-	334	-	51,490	660,370
Sale of Property and Compensation for Loss	72,826	-	-	-	-	72,826
Miscellaneous	2,156,991	-	-	279,590	-	2,436,581
State Sources	43,655,968	1,862,487	36,615	-	-	45,555,070
Federal Sources	218,503	2,820,322	1,597,010	-	-	4,635,835
Sales	-	-	150,131	-	-	150,131
Total Revenues	<u>62,613,921</u>	<u>4,682,809</u>	<u>1,784,090</u>	<u>279,590</u>	<u>51,490</u>	<u>69,411,900</u>
Expenditures						
General Support	6,211,536	-	-	-	-	6,211,536
Instruction	28,849,756	4,110,659	-	-	-	32,960,415
Pupil Transportation	2,429,075	47,143	-	-	-	2,476,218
Employee Benefits	13,529,750	604,156	258,878	-	-	14,392,784
Debt Service	7,694,682	-	-	-	-	7,694,682
Cost of Sales	-	-	1,623,289	-	-	1,623,289
Capital Outlay	-	-	-	20,068,504	-	20,068,504
Total Expenditures	<u>58,714,799</u>	<u>4,761,958</u>	<u>1,882,167</u>	<u>20,068,504</u>	<u>-</u>	<u>85,427,428</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,899,122</u>	<u>(79,149)</u>	<u>(98,077)</u>	<u>(19,788,914)</u>	<u>51,490</u>	<u>(16,015,528)</u>
Other Sources And (Uses)						
Interfund Transfers, net	(79,149)	79,149	-	-	-	-
BANs Redeemed From Appropriations	-	-	-	155,000	-	155,000
Total Other Sources (Uses)	<u>(79,149)</u>	<u>79,149</u>	<u>-</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>3,819,973</u>	<u>-</u>	<u>(98,077)</u>	<u>(19,633,914)</u>	<u>51,490</u>	<u>(15,860,528)</u>
Fund Equity, Beginning of Year	<u>9,845,643</u>	<u>-</u>	<u>469,971</u>	<u>(10,913,119)</u>	<u>3,622,853</u>	<u>3,025,348</u>
Fund Equity, End of Year	<u>\$ 13,665,616</u>	<u>\$ -</u>	<u>\$ 371,894</u>	<u>\$ (30,547,033)</u>	<u>\$ 3,674,343</u>	<u>\$ (12,835,180)</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Net changes in fund balance - total governmental funds		\$ (15,860,528)
<p>Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.</p>		
	Depreciation expense \$	(3,087,735)
	Capital outlays (excluding retainage)	<u>20,711,836</u>
		17,624,101
<p>Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2018/19 results in more expense.</p>		
		(472,681)
<p>Bond anticipation notes redeemed from appropriations is revenue in governmental funds, but not in the statement of activities.</p>		
		(155,000)
<p>Retainage cost does not meet the criteria to be recorded as expenditures in the government funds.</p>		
		(326,040)
<p>Repayments of long-term debt are recorded as expenditures in the governmental funds but are recorded as payments of liabilities in the statement of net position.</p>		
		5,960,000
<p>Property taxes are reported as revenue in governmental funds when available. Property taxes that are levied but not considered available are reported as deferred inflows of resources. However, for governmental activities, property tax revenues are recognized when levied.</p>		
		(306,527)
<p>Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
	Other Post Employment Benefits	(4,055,177)
	Compensated Absences	(118,659)
	Adjustments for net pension liability - ERS	399,886
	Adjustments for net pension asset - TRS	<u>(14,254)</u>
Change in net position - governmental activities		\$ <u><u>2,675,121</u></u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

	Agency	Private Purpose Trusts
ASSETS		
Cash - unrestricted	\$ 926,026	\$ -
Cash - restricted	96,834	292,054
Due from other funds	10,809	-
Investments - restricted	-	61,591
Total Assets	\$ 1,033,669	\$ 353,645
LIABILITIES		
Extraclassroom activity balances	\$ 96,834	\$ -
Due to other funds	454,663	-
Other liabilities	482,172	-
Total Liabilities	\$ 1,033,669	\$ -
NET POSITION		
Reserved for scholarships		\$ 353,645

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

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 56,479
Investment earnings	1,521
Total Additions	58,000
DEDUCTIONS	
Scholarships and awards	35,392
Change in Net Position	22,608
Net Position - Beginning of year	331,037
Net Position - End of year	\$ 353,645

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Fund

The extraclassroom activity funds of the District represents 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 fund can be found at the District's business office, located at 234 Lincoln Street, Gloversville, New York 12078-1935.

B. Joint Venture

The Gloversville Enlarged School District is a component district in Hamilton, Fulton, and Montgomery Counties Board of Cooperative Education Services. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

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

During the year ended June 30, 2019, the District was billed \$11,649,214 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$3,271,061. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to the particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund Financial Statements

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

I. Governmental Funds

The following are the District's governmental funds:

General Fund

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

Special Aid Fund

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

School Lunch Fund

Used to account for transactions in the District's lunch and breakfast programs.

Capital Projects Fund

This fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Debt Service Fund

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

II. Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and 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.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

II. Fiduciary Funds

There are two classes of fiduciary funds:

Private Purpose Trust Funds

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

Agency Funds

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

D. Basis of Accounting/Measurement Focus

General Information

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after the end of the fiscal year, except for real property taxes, which are considered to be available if collected within sixty days of the fiscal year end.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

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

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

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 20, 2018. Taxes were collected during the period September 1 to November 1, 2018.

II. Enforcement

The County in which the District is located enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the County to the District within two years from the return of the unpaid taxes to the county. Real property tax receivables expected to be collected within sixty days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

G. Restricted Resources

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not located in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.
- e. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.
- f. Budgets are established and used for individual capital project fund 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.
- g. As noted on the schedule of revenues, expenditures and changes in fund balance - budget and actual-general fund, certain line items were over budget by insignificant amounts.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

II. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund 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.

III. Budget Basis of Accounting

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

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District investment policies are governed by State statutes. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts. Investments are stated at fair value.

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. Accounts receivable in the General Fund represent amounts owed to the District for use of facilities and tuition.

K. Inventories and Prepaid Items

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Inventories and Prepaid Items

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 portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

L. Interfund Transactions

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

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

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

M. Short-Term Debt

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

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

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

District-wide statements:

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

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

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

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

Fund statements:

In the governmental funds statements there are five classifications of fund equity.

Non-spendable fund equity - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$31,603.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund equity. Fund equity of the school lunch fund of \$200 representing encumbrances is considered restricted. The District has established the following restricted fund equity:

Retirement Contributions

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. 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. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. The portion of the reserve for ERS is \$250,693, and \$388,763 for TRS.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Fund statements:

Insurance

According to General Municipal Law §6-n, this reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: Life, accident, health, annuities, fidelity and surety, credit, title, residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example 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.

Tax Certiorari Reserve

According to General Municipal Law §3651.a, this reserve must be used to establish a reserve fund for tax certiorari to be expended from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

Debt Service

Used to account for the unspent proceeds of debt restricted for debt service.

Restricted fund equity includes the following:

General Fund:	
Retirement Contribution	\$ 639,456
Insurance	500,694
Tax Certiorari	40,616
Debt Service Fund	3,674,343
School Lunch Fund - Encumbrances	<u>200</u>
Total Restricted Funds	<u>\$ 4,855,309</u>

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Fund statements:

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 equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as of the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$725,082. Appropriated fund equity in the General Fund amounted to \$642,091. The School Lunch Fund reports \$340,091 in assigned fund equity.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances

General Fund		
General Support	\$	53,137
Instruction		671,944
Employee Benefits		<u>1</u>
	\$	<u>725,082</u>

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District exceeded the 4% limitation at June 30, 2019 by \$8,435,779.

Net Position/Fund Equity

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Order of Use of Fund Equity:

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

O. Post Employment Benefits

In addition to providing the retirement benefits described in Note 4.B.I, the District provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups as governed by Board of Education Policy. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post employment benefits is shared between the District and the retired employee. See Note 6.

P. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair 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 In Years</u>
Buildings	\$ 5,000	SL	40
Building Improvements	5,000	SL	40
Site Improvements	5,000	SL	20
Furniture and Equipment	5,000	SL	5-10

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. *Payables, Accrued Liabilities, and Long-Term Obligations*

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

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

R. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, potential contingent liabilities, net pension asset/liability, deferred outflows/inflows, and useful lives of long-term assets.

S. *Vested Employee Benefits*

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 receive a payment based on unused accumulated sick leave, based on contractual provisions.

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 method and an accrual for that liability is included in the District-wide financial statements at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

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

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

T. Deferred Outflows and Inflows of Resources

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

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. If applicable, the District may have two items that qualifies 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 liability 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 related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

U. Implementation of 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. These standards had minimal impact on the District:

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, (Including Direct Borrowing and Direct Placements)*, effective for the year ending June 30, 2019.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

V. Future Changes in Accounting Standards

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

GASB has issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2021.

GASB has issued Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022.

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

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

a. Total fund balances of governmental fund vs. net position of governmental activities:

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

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

Differences between the governmental funds statement of revenues, expenditures, and changes in fund equity and the statement of activities and changes in net position fall into one of five broad categories. The differences represent:

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities and changes in net position reports revenue 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 in the statement of activities and changes in net position.

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 in the statement of activities and changes in net position, 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 and changes in net position.

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 and changes in net position as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Pension Differences

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

OPEB Differences

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

Deficit Fund Balances

There was a deficit fund balance in the capital projects fund of \$30,547,033. This deficit is caused by financing the project with bond anticipation notes. When the bond anticipation notes are refinanced with bonds, this deficit will be removed.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2019 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Custodial Credit Risk

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

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

Investments

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

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

Level 2: Inputs to the valuation methodology include:

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

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

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

All of the District's investments are valued based on Level 2 of the hierarchy.

The District participates in NY CLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2019, the District held \$4,105,070 in investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments:

Total investments of the cooperative as of June 30, 2019 \$2,492,546,027, which consisted of \$350,918,796 in repurchase agreements, \$235,026,621 in collateralized bank deposits and \$1,905,848 in U.S. Government Treasury Securities.

Investments in Securities at Value	<u>Level 1</u>	Valuation Inputs <u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
General Fund	\$ -	\$ 2,317,740	\$ -	\$ 2,317,740
Special Aid Fund	-	505	-	505
School Lunch Fund	-	14,493	-	14,493
Capital Projects Fund	-	337,507	-	337,507
Debt Service Fund	-	1,373,234	-	1,373,234
Private Purpose Trust	-	61,591	-	61,591
Total	<u>\$ -</u>	<u>\$ 4,105,070</u>	<u>\$ -</u>	<u>\$ 4,105,070</u>

The above amounts represent the fair value of the investment pool shares. For the year ended June 30, 2019, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

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

Risks and Uncertainties with Investments

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

Restricted Cash and Investments

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 at year-end consists of the following:

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 639,456	Retirement Contributions Reserve
	500,694	Insurance Reserve
	<u>40,616</u>	Tax Certiorari Reserve
Total General Fund	<u>\$ 1,180,766</u>	
Capital Projects Fund	<u>\$ 5,637,552</u>	Specific capital projects
Debt Service Fund	<u>\$ 1,553,528</u>	Debt
Trust and Agency	\$ 96,834	Extraclassroom Activity Funds
Private Purpose Trust Fund	<u>353,645</u>	Scholarships and Memorials
Total Fiduciary	<u>\$ 450,479</u>	

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Transactions

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

Interfund transactions and balances at June 30, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 4,647,034	\$ 3,338,131	\$ -	\$ 79,149
Special Aid Fund	848,657	4,261,042	79,149	-
School Lunch Fund	319,484	370,469	-	-
Debt Service Fund	2,539,457	418,642	-	-
Capital Projects Fund	<u>876,548</u>	<u>399,042</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>9,231,180</u>	<u>8,787,326</u>	<u>79,149</u>	<u>79,149</u>
Fiduciary Fund	<u>10,809</u>	<u>454,663</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 9,241,989</u>	<u>\$ 9,241,989</u>	<u>\$ 79,149</u>	<u>\$ 79,149</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental Activities				
Capital assets that are not depreciated:				
Construction in progress	\$ 12,102,365	\$ 20,394,544	\$ -	\$ 32,496,909
Land	<u>724,073</u>	<u>-</u>	<u>-</u>	<u>724,073</u>
Total Non-depreciable Capital Assets	<u>12,826,438</u>	<u>20,394,544</u>	<u>-</u>	<u>33,220,982</u>
Capital assets that are depreciated:				
Buildings and improvements	135,898,964	-	-	135,898,964
Furniture and equipment	<u>3,369,586</u>	<u>317,292</u>	<u>157,886</u>	<u>3,528,992</u>
Total Depreciable Capital Assets	<u>139,268,550</u>	<u>317,292</u>	<u>157,886</u>	<u>139,427,956</u>
Less accumulated depreciation:				
Buildings and improvements	54,854,254	2,785,076	-	57,639,330
Furniture and equipment	<u>2,234,956</u>	<u>302,659</u>	<u>157,886</u>	<u>2,379,729</u>
Total Accumulated Depreciation	<u>57,089,210</u>	<u>3,087,735</u>	<u>157,886</u>	<u>60,019,059</u>
Total Depreciable Cost, Net	<u>\$ 95,005,778</u>	<u>\$ 17,624,101</u>	<u>\$ -</u>	<u>\$ 112,629,879</u>

The District's Meco Elementary building is not used as a school building starting in 2017 due to lack of enrollment. The financing arrangement on the building prevents the District from being able to sell the building until the corresponding debt is paid off. The building will be used by the P-Tech program for the 2019-2020 school year under a one year lease agreement with BOCES totaling approximately \$105,000.

The District also closed the McNabb building due to lack of enrollment. The District will be renting the building for the 2019-2020 school year to BOCES. The building will be used by BOCES, Headstart, and Whispering Pines for educational purposes under one year lease agreements totaling approximately \$150,000.

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

General Information

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

Plan Descriptions

Teachers' Retirement System

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

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. This is a cost-sharing multiple-employer retirement system. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Employees' Retirement System

a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

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

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

		<u>ERS</u>		<u>TRS</u>
2018-19	\$	448,926	\$	1,966,226
2017-18		469,360		1,776,804
2016-17		534,262		2,364,631

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

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 net 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 of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2018	June 30, 2017
Net pension asset/(liability)	\$(709,397)	\$2,151,086
District's portion of the Plan's total net pension asset/(liability)	0.0100%	0.1190%

Pension Expense (Credit)

For the year ended June 30, 2019, the District recognized its proportionate share of pension expense of \$464,631 for ERS and \$1,667,339 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 139,695	\$ 1,607,489	\$ 47,621	\$ 291,179
Changes of assumptions	178,314	7,519,457	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	182,071	2,387,870
Changes in proportion and differences between contributions and proportionate share of contributions	158,733	547,457	54,486	103,888
Contributions subsequent to the measurement date	<u>119,601</u>	<u>2,143,149</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 596,343</u>	<u>\$ 11,817,552</u>	<u>\$ 284,178</u>	<u>\$ 2,782,937</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2020 for ERS and June 30, 2019 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows and Inflows of Resources Related to Pensions

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2019	\$ -	\$ 2,233,335
2020	175,800	1,541,100
2021	(100,656)	231,610
2022	9,134	1,536,032
2023	108,286	1,064,265
Thereafter	-	285,124

Actuarial Assumptions

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

	<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%	1.9%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.25%
Cost of living adjustments	1.3% annually	1.5% annually

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

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 - 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 - June 30, 2014.

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

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

<u>ERS</u>	<u>Target Allocation</u> <u>2019</u>	<u>Long-term expected</u> <u>real rate of return*</u> <u>2019</u>
Asset Class:		
Domestic equities	36%	4.55%
International equities	14	6.35
Private equity	10	7.50
Real estate	10	5.55
Absolute return strategies (1)	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-Indexed bonds	<u>4</u>	1.25
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2019.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

<u>TRS</u>	<u>Target Allocation</u> <u>2018</u>	<u>Long-term expected</u> <u>real rate of return*</u> <u>2018</u>
Asset Class:		
Domestic equities	33%	5.8%
Global equities	4	6.7
International equities	16	7.3
Real estate	11	4.9
Private equities	8	8.9
Domestic fixed income securities	16	1.3
Global fixed income securities	2	0.9
Private debt	1	6.8
Real estate debt	7	2.8
High-yield fixed income securities	1	3.5
Short-term	<u>1</u>	0.3
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.25% for 2018.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Discount rate

The discount rate used to calculate the total pension liability/(asset) 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

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

The following presents the District's proportionate share of the net pension liability/(asset) as of June 30, 2019 calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6% for ERS and 6.25% for TRS) or 1-percentage-point higher (8% for ERS and 8.25% for TRS) than the current rate:

<u>ERS</u>	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 3,101,599	\$ 709,397	\$ (1,300,221)
<u>TRS</u>	1% Decrease <u>(6.25%)</u>	Current Assumption <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$14,778,313	\$ (2,151,086)	\$(16,333,218)

Changes in assumptions

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Collective pension expense

Collective pension expenses includes certain current period changes in the collective net pension liability/(asset), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2019 is \$487,029 for ERS and \$1,746,680 for TRS.

Payables to the pension plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$119,601.

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 amounted to \$2,260,534.

Other Benefits

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

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

Transactions in short-term debt are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN Maturing 10/19/2018 at 2.25%	\$13,500,000	\$ -	\$13,500,000	\$ -
BAN Maturing 10/18/2019 at 3.00%	\$ -	\$36,145,000	\$ -	\$36,145,000

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

Interest paid	\$ 302,906
Less interest accrued in the prior year	189,844
Plus interest accrued in the current year	<u>677,719</u>
Total Expense	<u>\$ 790,781</u>

2. Long-Term Debt

a. Serial Bonds

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

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

Interest paid	\$ 1,431,776
Less interest accrued in the prior year	116,605
Plus current year accrued interest	<u>101,411</u>
Total Expense	<u>\$ 1,416,582</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

2. Long-Term Debt

Long-Term Obligations

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

The District has authorized to issue \$37,800,000 of which \$1,655,000 remains unissued and \$36,145,000 was issued as a BAN.

b. Other Long-Term Debt

In addition to the above long-term debt, the District had the following noncurrent liabilities:

Compensated Absences - Represent the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Other Post-Employment Benefits - Represents the net liability for other post-employment benefits calculated in accordance with GASB 75 (See Note 6).

3. Changes

The changes in the District's indebtedness during the year ended June 30, 2019, are summarized as follows:

<u>Fund/Type</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Government activities:				
Bonds	\$ 33,470,000	\$ -	\$ 5,805,000	\$ 27,665,000
Other Post Employment Benefits	\$112,214,272	\$ 14,472,376	\$ 3,451,912	\$123,234,736
Compensated Absences	1,224,788	118,659	-	1,343,447
Pension Liability	336,075	373,322	-	709,397
Total long-term liabilities	<u>\$113,775,135</u>	<u>\$ 14,964,357</u>	<u>\$ 3,451,912</u>	<u>\$125,287,580</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

3. Changes

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

The above liabilities are liquidated by the general fund.

4. Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Serial Bonds				
Advanced Refunding	2012	2024	3-5%	\$ 2,630,000
Advanced Refunding	2016	2024	2-5%	3,590,000
Renovations	2005	2020	3.5-4%	145,000
Renovations	2007	2023	3-5%	8,040,000
Renovations	2007	2035	3-5%	5,090,000
Renovations	2007	2035	3-5%	5,580,000
Renovations	2012	2025	1.4-4.75%	2,590,000
				<u>\$ 27,665,000</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$19,280,000 of bonds outstanding are considered defeased.

The following is a summary of maturing debt service requirements for bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,095,000	\$ 1,274,963	\$ 7,369,963
2021	6,220,000	989,463	7,209,463
2022	3,995,000	685,850	4,680,850
2023	4,200,000	485,975	4,685,975
2024	2,130,000	332,300	2,462,300
2025 & thereafter	<u>5,025,000</u>	<u>1,326,488</u>	<u>6,351,488</u>
Total	<u>\$ 27,665,000</u>	<u>\$ 5,095,039</u>	<u>\$ 32,760,039</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

5. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit do not exceed 5% of the average full valuation of taxable real estate within such District. At June 30, 2019 the District has exhausted 197% of its constitutional debt limit. The District received prior approval to exceed the limit from the New York State Office of the State Comptroller and the New York State Education Department.

III. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet - governmental funds, if any, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period.

5. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District has been named as defendant in various actions. A review of these actions by District management indicates that they are either fully covered by insurance or not substantial enough to materially affect the financial position of the District.

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies or expenditures disallowed under the terms of the grant.

C. Risk Financing and Related Insurance

General Information

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

General Information

The District participates in a risk sharing pool, the Fulmont Worker's Compensation Plan, to insure workers' compensation claims. This public entity risk pool was created under Article 5, Workers' Compensation Law, to finance liability and risk related to workers' compensation claims. Workers' compensation benefits are provided by the plan and administered under contract with the plan's consultant.

The plan also has specific excess workers' compensation and employers' liability indemnity coverage. Under the policies, the limit for workers' compensation coverage is \$5,000,000, employers' liability \$2,000,000 per occurrence, and specific excess coverage provided for paid workers' compensation claims in excess of \$300,000 per individual or in excess of \$90,000 per occurrence with a twelve-month period beginning on the date of anniversary of the occurrence.

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Plan Description

The District administers the post-employment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and prescription drug benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) age 55 with 5 years of services and 3) enrolled in District provided health care at time of retirement. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Funding Policy

The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than “pay as you go”.

Benefits Provided

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the retired employee. 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 plan members or beneficiaries currently receiving benefit payments	370
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>387</u>
Total plan members	<u>757</u>

Net OPEB Liability

The District’s total OPEB liability was measured as of June 30, 2019; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumption and Other Inputs

The total OPEB liability at June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	2.72% - 10%
Discount rate	3.51%
Healthcare cost trend rates	
Pre-Medicare	5.50% for 2019 decreasing to an ultimate rate of 3.84% by 2075.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Actuarial Assumption and Other Inputs

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

Retirement participation rate assumed that employees may retire at age 55 but may elect to retire at different ages. The retirement rates used were developed by the Office of the Actuary of TRS and ERS. It is assumed 100% of retirees will participate and 45% of male and 40% of females will elect spousal coverage.

Termination rates are based on a blend of assumptions for all employees under ERS and female employees under TRS.

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Changes in the Net OPEB Liability

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

	Total OPEB Liability <u>[a]</u>	Plan Fiduciary Net Position <u>[b]</u>	Net OPEB Liability <u>[a] - [b]</u>
Balances at June 30, 2018	<u>\$ 112,214,272</u>	<u>\$ -</u>	<u>\$ 112,214,272</u>
Changes for the year:			
Service cost	2,853,897	-	2,853,897
Interest	4,386,978	-	4,386,978
Difference between expected and actual experience	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs	7,231,501	-	7,231,501
Benefit payments	<u>(3,451,912)</u>	<u>-</u>	<u>(3,451,912)</u>
Net changes	<u>11,020,464</u>	<u>-</u>	<u>11,020,464</u>
Balances, June 30, 2019	<u><u>\$ 123,234,736</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 123,234,736</u></u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease <u>(2.51%)</u>	Discount Rate <u>(3.51%)</u>	1% Increase <u>(4.51%)</u>
Total OPEB Liability	\$147,338,079	\$123,234,736	\$104,307,538

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.50% decreasing to 2.84%) or 1 percentage point higher (6.5% decreasing to 4.84%) than the current healthcare cost trend rate:

	1% Decrease (4.50% Decreasing to <u>2.84%</u>)	Healthcare Cost Trend Rate (5.50% Decreasing to <u>3.84%</u>)	1% Increase (6.50% Decreasing to <u>4.84%</u>)
Total OPEB Liability	\$101,134,673	\$123,234,736	\$152,231,998

OPEB Expense, 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 \$7,507,089. 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	\$ -	\$ -
Amounts recognized in OPEB expense	-	-
Changes of assumptions	6,082,407	(3,790,399)
Contributions subsequent to the measurement period	-	-
Total	<u>\$ 6,082,407</u>	<u>\$ (3,790,399)</u>

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

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

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

Year Ending <u>June 30,</u>		
2020	\$	266,214
2021		266,214
2022		266,214
2023		266,214
2024		890,215
Thereafter		336,937

7. TAX ABATEMENTS

The County of Fulton enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. No abatements were entered during the year ended June 30, 2019.

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 8, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2019, have been incorporated into these statements herein.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 14,722,462	\$ 14,722,462	\$ 12,136,527	\$ (2,585,935)
Real Property Tax Items	575,000	575,000	3,592,063	3,017,063
Charges for Services	67,500	67,500	172,497	104,997
Use of Money and Property	270,000	270,000	608,546	338,546
Sale of Property and Compensation for Loss	-	-	72,826	72,826
Miscellaneous	<u>1,250,000</u>	<u>1,250,000</u>	<u>2,156,991</u>	<u>906,991</u>
Total Local Sources	<u>16,884,962</u>	<u>16,884,962</u>	<u>18,739,450</u>	<u>1,854,488</u>
State Sources	45,060,003	45,060,003	43,655,968	(1,404,035)
Federal Sources	150,000	150,000	218,503	68,503
Other Sources				
Interfund Transfers	<u>1,129,767</u>	<u>1,129,767</u>	<u>-</u>	<u>(1,129,767)</u>
Total Revenue and Other Sources	63,224,732	63,224,732	62,613,921	\$ <u><u>(610,811)</u></u>
Appropriated Fund Equity				
Prior Year's Encumbrances	667,015	667,015	-	
Appropriated Fund Equity	<u>1,269,402</u>	<u>1,269,402</u>	<u>-</u>	
Total Appropriated Fund Equity	<u>1,936,417</u>	<u>1,936,417</u>	<u>-</u>	
Total Revenues, Other Sources and Appropriated Fund Equity	\$ <u><u>65,161,149</u></u>	\$ <u><u>65,161,149</u></u>	\$ <u><u>62,613,921</u></u>	

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Actual and Encumbrances</u>
Expenditures					
General Support					
Board of Education	\$ 35,285	\$ 31,977	\$ 27,825	\$ -	\$ 4,152
Central Administration	268,000	269,697	257,707	-	11,990
Finance	496,349	443,321	390,987	-	52,334
Staff	188,306	195,514	178,793	1,503	15,218
Central Services	4,787,910	4,880,387	4,449,879	51,634	378,874
Special Items	<u>942,038</u>	<u>942,063</u>	<u>906,345</u>	<u>-</u>	<u>35,718</u>
Total General Support	<u>6,717,888</u>	<u>6,762,959</u>	<u>6,211,536</u>	<u>53,137</u>	<u>498,286</u>
Instruction					
Instruction, Administration & Improvement	1,686,354	1,718,377	1,562,081	968	155,328
Teaching - Regular School	16,301,774	16,283,402	14,450,315	369,158	1,463,929
Programs for Students with Disabilities	10,781,470	10,490,178	9,396,369	136,419	957,390
Occupational Education	871,440	871,440	798,267	-	73,173
Teaching - Special Schools	26,586	26,586	18,205	-	8,381
Instructional Media	863,193	1,010,323	730,006	162,068	118,249
Pupil Services	<u>1,945,932</u>	<u>1,993,794</u>	<u>1,894,513</u>	<u>3,331</u>	<u>95,950</u>
Total Instruction	<u>32,476,749</u>	<u>32,394,100</u>	<u>28,849,756</u>	<u>671,944</u>	<u>2,872,400</u>
Pupil Transportation	3,059,808	3,076,505	2,429,075	-	647,430
Employee Benefits	<u>15,091,346</u>	<u>15,023,482</u>	<u>13,529,750</u>	<u>1</u>	<u>1,493,731</u>
Debt Service					
Debt Service Principal	5,960,000	5,960,000	5,960,000	-	-
Debt Service Interest	<u>1,855,358</u>	<u>1,855,358</u>	<u>1,734,682</u>	<u>-</u>	<u>120,676</u>
Total Other	<u>25,966,512</u>	<u>25,915,345</u>	<u>23,653,507</u>	<u>1</u>	<u>2,261,837</u>
Total Expenditures	65,161,149	65,072,404	58,714,799	725,082	5,632,523
Other Uses					
Interfund Transfer	<u>-</u>	<u>88,745</u>	<u>79,149</u>	<u>-</u>	<u>9,596</u>
Total Expenditures and Other Uses	<u>\$ 65,161,149</u>	<u>\$ 65,161,149</u>	<u>58,793,948</u>	<u>\$ 725,082</u>	<u>\$ 5,642,119</u>
Net Change in Fund Equity			\$ 3,819,973		
Fund equity - beginning			<u>9,845,643</u>		
Fund equity - ending			<u>\$ 13,665,616</u>		

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Fiscal Year Ending *	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Measurement date	6/30/2019	6/30/2018
Service cost	\$ 2,853,897	\$ 3,007,205
Interest	4,386,978	4,081,808
Changes in benefit terms	-	-
Difference between expected and actual experience in the measurement of the total OPEB liability	-	-
Changes in assumptions and other inputs	7,231,501	(5,556,159)
Benefit payments	<u>(3,451,912)</u>	<u>(3,335,571)</u>
Net Change in Total OPEB Liability	11,020,464	(1,802,717)
Total OPEB Liability - beginning	<u>112,214,272</u>	<u>114,016,989</u>
Total OPEB Liability - ending	<u>\$ 123,234,736</u>	<u>\$ 112,214,272</u>
Covered-employee payroll	\$ 25,080,112	\$ 19,820,208
Total OPEB Liability as a percentage of covered-employee payroll	491.36%	566.16%

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2019**

	ERS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0100%	0.0104%	0.0110%	0.0114%	0.0133%
Proportionate share of the net pension liability (asset)	\$ 709,397	\$ 336,075	\$ 1,035,698	\$ 1,833,295	\$ 447,616
Covered-employee payroll	\$ 3,697,035	\$ 3,375,148	\$ 3,347,129	\$ 3,471,677	\$ 3,527,064
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	19%	10%	31%	53%	13%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%
	TRS Pension Plan Last 10 Fiscal Years				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.1190%	0.1240%	0.1281%	0.1289%	0.1242%
Proportionate share of the net pension liability (asset)	\$ (2,151,086)	\$ (942,741)	\$ 1,372,152	\$ (13,393,243)	\$ (13,839,896)
Covered-employee payroll	\$ 20,233,575	\$ 19,438,143	\$ 19,662,242	\$ 19,823,822	\$ 18,399,756
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-11%	-5%	7%	-68%	-75%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	100.66%	99.01%	110.46%	111.48%

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 477,397	\$ 492,716	\$ 534,262	\$ 449,056	\$ 536,690
Contributions in relation to the contractually required contribution	<u>(477,397)</u>	<u>(492,716)</u>	<u>(534,262)</u>	<u>(449,056)</u>	<u>(536,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 3,697,035	\$ 3,375,148	\$ 3,347,129	\$ 3,471,677	\$ 3,527,064
Contributions as a percentage of covered-employee payroll	12.91%	14.60%	15.96%	12.93%	15.22%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,898,949	\$ 2,303,503	\$ 2,621,402	\$ 3,395,428	\$ 3,297,195
Contributions in relation to the contractually required contribution	<u>(1,898,949)</u>	<u>(2,303,503)</u>	<u>(2,621,402)</u>	<u>(3,395,428)</u>	<u>(3,297,195)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 20,233,575	\$ 19,438,143	\$ 19,662,242	\$ 19,823,822	\$ 18,399,756
Contributions as a percentage of covered-employee payroll	9.39%	11.85%	13.33%	17.13%	17.92%

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
 SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
 FOR THE YEAR ENDED JUNE 30, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$	64,494,134
Add: Prior year's encumbrances		667,015
Original Budget		65,161,149
Additions:		
Budget Amendments		-
Final Budget	\$	65,161,149

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 [subsequent year's] voter-approved expenditure budget	\$	67,047,457
Maximum allowed (4% of 2019-20 [subsequent year's] budget)		2,681,898

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

Unrestricted Fund Equity:		
Committed Fund Equity	\$	-
Assigned Fund Equity		1,367,173
Unassigned Fund Equity		11,117,677
Total Unrestricted Fund Equity		12,484,850

Less:		
Appropriated Fund Equity		642,091
Encumbrances included in Committed and Assigned Fund Equity		725,082
Total Adjustments		1,367,173

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$	11,117,677
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Actual percentage		16.58%
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* Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

Project	Expenditures and Transfers to Date				Methods of Financing					Transfers to Debt Service Fund	Fund Balance (Deficit) at June 30, 2019
	Authori- zation	Prior Years	Current Year	Totals	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Totals		
Central Office Relocation - Project #0019-003	\$ 1,820,000	\$ 1,820,000	\$ -	\$ 1,820,000	\$ -	\$ 1,583,400	\$ -	\$ 244,308	\$ 1,827,708	\$ -	\$ 7,708
District Wide Renovations - Project #'s 0004-007, 0007-006, 0009-007, 0010-013, 0014-006, 7027-001, 0010-014, 7020-002, 0014-007, 7028-001, 0010-015, 5025-001, 799-001, 0009-008, 0010-016, 0015-009, 0020-002, 0015-008, 0019-005, 0004-008, 0007-007	85,195,800	85,951,023	-	85,951,023	(755,223)	82,874,606	2,415,594	1,036,574	86,326,774	-	375,751
Building Renovations	37,800,000	11,435,630	20,068,504	31,504,134	6,295,866	573,642	-	-	573,642	-	(30,930,492)
Totals	\$ 124,815,800	\$ 99,206,653	\$ 20,068,504	\$ 119,275,157	\$ 5,540,643	\$ 85,031,648	\$ 2,415,594	\$ 1,280,882	\$ 88,728,124	\$ -	\$ (30,547,033)

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

Capital Assets, Net		\$	112,629,879
Add:			
Capital projects fund - cash and investments	\$	<u>5,637,552</u>	5,637,552
Deduct:			
Bond anticipation notes payable	\$	(36,145,000)	
Short-term portion of bonds payable		(6,095,000)	
Long-term portion of bonds payable		<u>(21,570,000)</u>	<u>(63,810,000)</u>
Net Investment in Capital Assets			\$ <u><u>54,457,431</u></u>

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

To the President and Members
of the Board of Education of
Gloversville Enlarged School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Gloversville Enlarged School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

District's Response to the Findings

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

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.

Marvin and Company, P.C.

Latham, NY
October 8, 2019

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

To the President and Members
of the Board of Education of
Gloversville Enlarged School District

Report on Compliance for Each Major Federal Program

We have audited the Gloversville Enlarged School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Gloversville Enlarged School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004, which we consider to be significant deficiencies.

Gloversville Enlarged School District's response to internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Marvin and Company, P.C.

Latham, NY

October 8, 2019

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Pass- Through To Subrecipient	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Indirect Awards - Passed Through New York State Education Department:				
Special Education Cluster				
Special Education - Grants to States	84.027	0032-18-0268	\$ -	\$ 277
Special Education - Grants to States	84.027	0032-19-0268	-	713,183
Special Education Preschool Grants	84.173	0033-18-0268	-	53
Special Education Preschool Grants	84.173	0033-19-0268	-	<u>41,656</u>
Total Special Education Cluster				755,169
Title I Grants to Local Educational Agencies- A&D	84.010	0021-18-0960	-	170,190
Title I Grants to Local Educational Agencies- A&D	84.010	0021-19-0960	-	1,347,170
Title I Part D	84.010	0016-19-0960	-	1,330
Title I Grants to Local Educational Agencies- Sch Imp	84.010	0011-18-2066	-	240,634
Title I Grants to Local Educational Agencies- Sch Imp	84.010	0011-19-2076	-	20,065
Title IV - SSAE Allocation	84.424	204-19-0960	-	22,981
Title VI B Rural Education	84.358	006-18-0960	-	21,441
Title VI B Rural Education	84.358	006-19-0960	-	16,364
Improving Teacher Quality State Grants	84.367	147-18-0960	-	13,302
Improving Teacher Quality State Grants	84.367	147-19-0960	-	<u>211,676</u>
Total U.S. Department of Education				<u>2,820,322</u>
<u>U.S. Department of Homeland Security</u>				
Passed Through New York State Division of Homeland Security and Emergency Services:				
Disaster Grant - Public Assistance for Presidentially Declared Disaster	97.036	035-02FE1-00	-	<u>948</u>
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Education Department:				
Child Nutrition Cluster				
National School Lunch Program	10.555	Not Applicable	-	1,142,065
School Breakfast Program	10.553	Not Applicable	-	341,997
Summer Food Service Program	10.559	Not Applicable	-	5,168
Food Distribution	10.555	Not Applicable	-	<u>107,780</u>
Total Child Nutrition Cluster				<u>1,597,010</u>
Total U.S. Department of Agriculture				<u>1,597,010</u>
Total Expenditures of Federal Awards				<u>\$ 4,418,280</u>

GLOVERSVILLE ENLARGED SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

1. BASIS OF PRESENTATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

The Gloversville Enlarged School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$107,780.

5. INDIRECT COST RATE

The Gloversville Enlarged School District did not elect to use the 10% de minimus cost rate.

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

Section II: Financial Statement Findings

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

Noncompliance Material to the Financial Statements

2019-001 Compliance with New York State Real Property Tax Law

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 19/20 general fund budget.

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

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

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

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II: Financial Statement Findings

2019-001 Compliance with New York State Real Property Tax Law

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

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

Views of responsible officials and planned corrective actions: The District has established reserves and will fund these in the future to comply with the Real Property Tax Law. Additionally, a five-year financial plan will be developed to assist with future budgeting.

Material Weakness

2019-002 Adjustments

Condition: Several adjusting journal entries were proposed as part of the audit process to reflect actual year end balances of expenditures, revenues, interfund revenues and expenditures, due to/from other funds, refundable advances, debt service expenditures, fund balance, reserves, accounts payable and accounts receivable.

Context: The adjustments were identified as part of our auditing procedures.

Effect: As it relates to the adjusting journal entries proposed as part of the audit process the following accounts were over or understated by the respective approximate amounts: In the general fund, revenues understated by \$344,000, expenditures overstated by \$142,000, due from understated \$455,000, due to understated by \$155,000, and reserves overstated by \$228,000. In the special aid fund revenues overstated by \$164,000, expenditures overstated by \$175,000, accounts payable overstated by \$173,000, deferred revenues overstated by \$131,000 and accounts receivable overstated by \$193,000. In the school lunch fund the reserve for inventory was overstated by \$40,000. In the capital fund, revenues and due from understated by \$435,000, expenditures and accounts payable overstated by \$1,293,338. In the debt service fund revenues overstated and due to understated by \$280,000. In the trust and agency fund employee withholdings overstated and due to understated by \$455,000.

Cause: The adjusting journal entries identified during the audit appear to be caused by transactions being inaccurately recorded during the year.

Recommendation: As it relates to preventing future audit adjustments, general ledger accounts should be reconciled by management throughout the year or at a minimum at the end of the year to ensure the balances accurately reflect the activity that occurred.

Views of Responsible Officials and Planned Corrective Actions: Cathy Meher, the district treasurer, will review this with the responsible staff and will be more cognizant of the accounting procedures and review and ensure that accounts are accurately stated. This will begin immediately.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III: Federal Award Findings and Questioned Costs

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

Significant Deficiencies

2019-003 Title I – Payroll Certifications

Information on Federal Program: Title Part I, Grants to Local Educational Agencies (LEAs), CFDA No. 84.010

Criteria: Compliance under Title 2: Grants and Agreements Part 200.430 Compensation-personal services under compliance requirement Allowable Costs/Cost Principles 2. Documentation of Employee Time and Effort.

Condition: During our testing of payroll expenditures charged to this program it was noted that employees are being charged to this grant and the time and effort reports (payroll certifications) being signed by those individuals acknowledging and noting that their salaries are being allocated to the Federal Program were not able to be located in two instances.

Questioned Cost: None.

Context: A selection of the employees of the District charged to the Federal Program were tested for the wages charged, educational certifications and payroll certifications. Each employee charged to the program was tested for at least one period during the year.

Effect: Payroll certifications were not able to be located for three individuals for the period in which they were tested for being charged to the program.

Cause: The District did not have adequate review that the certifications were being completed.

Perspective Information: One certification for three of fifty-one employees paid in full or part by Title I were not completed. All teachers tested, did however, maintain the proper educational certifications.

Repeat Finding: No

Recommendation: We recommend that policies and procedures be implemented for those individuals whose time and effort of providing special education services be acknowledged by the individual employees whose time is ultimately being paid by the Federal Program.

Views of the Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will evaluate the procedures around obtaining the signed certifications to ensure they are completed.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III: Federal Award Findings and Questioned Costs

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

Significant Deficiencies

2019-004 Title I – Allowable Costs

Information on Federal Program: Title Part I, Grants to Local Educational Agencies (LEAs), CFDA No. 84.010

Criteria: Compliance under Title 2: Grants and Agreements Part 200.430 Compensation-personal services under (a) General and (i) Allowable Activities, charges to Federal Awards may include reasonable amounts for activities contributing and directly related to work under an agreement.

Condition: During our testing of payroll expenditures charged to this program it was noted that one employee out of fifty-one that were charged to the Federal Program was not performing services directly related to the program.

Questioned Cost: The portion of the employee's earnings charged to the Federal Program was \$4,295. The District has not claimed these costs, but anticipates claiming other allowable costs before the end of the program period.

Context: A selection of the hourly and salaried employees of the District charged to the Federal Program were tested for wages charged. All employees with wages charged to the program was tested for at least one period during the year.

Effect: Wages were charged to the program for an individual that was not providing services in accordance with the program.

Cause: The District did not have adequate review of employees being charged to the program.

Perspective Information: One employee out of fifty-one employees paid in full or part by Title I was incorrectly charged to the program.

Repeat Finding: No

Recommendation: We recommend that policies and procedures be implemented to periodically review the employees being charged to Federal Programs.

Views of the Responsible Officials and Planned Corrective Actions: The district treasurer will meet with the grants coordinator quarterly to review those employees who have all or part of their salary charged to federal funds to ensure they are providing services in accordance with the program.

**GLOVERSVILLE ENLARGED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Summary Schedule of Prior Audit Findings

2018-001 Compliance with New York State Real Property Tax Law

Status: This comment is repeated as 2019-001

2018-002 Adjustments

Status: This comment is repeated as 2019-002